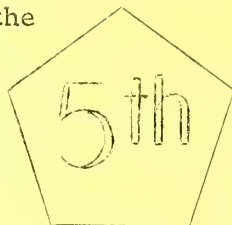


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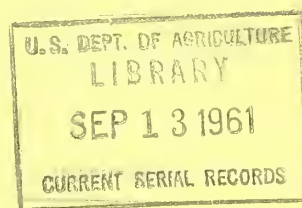
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Proceedings of the



National Conference on

FRUIT AND VEGETABLE BARGAINING COOPERATIVES



Jung Hotel
New Orleans, La.
January 7 and 8, 1961

U. S. Department of Agriculture
Farmer Cooperative Service
Washington 25, D. C.

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PROCEEDING OF THE
FIFTH NATIONAL CONFERENCE ON
FRUIT AND VEGETABLE BARGAINING COOPERATIVES

This is a report of the Fifth National Conference on Fruit and Vegetable Bargaining Cooperatives, held at the Jung Hotel, New Orleans, La., on January 7 and 8, 1961.

As with the earlier conferences, the purpose was to provide a forum to discuss mutual problems and to encourage exchange of ideas to help bargaining cooperatives more effectively meet growers' needs. General theme of this conference was "The Role of Bargaining Cooperatives -- An Evaluation."

Again at the request of various fruit and vegetable bargaining cooperatives, the conference was arranged and conducted by the Farmer Cooperative Service, U. S. Department of Agriculture.

A total of 74 persons participated in the conference. This included 20 persons representing 9 fruit and vegetable bargaining cooperatives; 17 from 14 other cooperatives, 8 from land-grant colleges; 6 from the U. S. Department of Agriculture; 14 from general farm organizations and State and national cooperative organizations, and 9 others.

These proceedings include speeches made at the conference, a list of participants, resolutions adopted at the close of the conference, a list of fruit and vegetable bargaining cooperatives, and a selected bibliography on this type cooperative.

The views expressed are those of the participants and are not necessarily those of the Farmer Cooperative Service.

Additional copies of these proceeding - in limited quantity - may be obtained from the Fruit and Vegetable Branch, Farmer Cooperative Service, U. S. Department of Agriculture, Washington 25, D. C.

PERSONS ATTENDING THE CONFERENCE

Charles K. Baker	Extension Economist in Farm Organization, Texas A & M College, College Station.
R. D. Barker	Treasurer, Apple Growers Association, Hood River, Oreg.
William E. Black	Marketing Specialist, Florida Citrus Commission, Lakeland.
Paul T. Blair	Associate Agricultural Economist, Mississippi State University, State College.
George M. Brown	Director, California Canning Pear Association, Santa Clara.
James H. Bryce	Executive Secretary, National Red Cherry Institute, Deerfield, Ill.
C. K. Bullock	Commodity Director, New York Farm Bureau, Ithaca.
Ralph B. Dunje	Manager, California Canning Peach Association, San Francisco.
E. W. Cake	Extension Marketing Economist, University of Florida, Gainesville.
David L. Call	Extension Marketing Specialist, Michigan State University, East Lansing.
Acord Cantwell	Commodity Director, Indiana Farm Bureau, Indianapolis.
L. A. Cheney	Secretary, Michigan Association of Farmer Cooperatives, Lansing.
R. E. Collins	President, California Canning Pear Association, San Francisco.
Fred P. Corey	Executive Secretary, Western New York Apple Growers Association, Rochester.
J. Ward Cooper	Manager, Market Development Division, Michigan Farm Bureau, Lansing.
Ralph M. Cooper	Assistant Executive Secretary, Wisconsin Council of Agricultural Cooperatives, Madison.
M. W. Dula	Director, California Canning Peach Association, Visalia.
Eyvind M. Faye	President, Sunsweet Growers, Inc., San Jose, Calif.
Hill Flitcraft	Extension Marketing Specialist, Rutgers University, New Brunswick, N. J.
Berkley I. Freeman	Secretary-Manager, Great Lakes Cherry Producers Marketing Cooperative, Grand Rapids, Mich.
Leon Garoian	Secretary, Agricultural Cooperative Council of Oregon, Corvallis.
Claude W. Gifford	Associate Editor, <u>Farm Journal</u> , Philadelphia, Pa.
Cameron Girton	Manager, California Canning Pear Association, San Francisco.
Truman Graf	Associate Professor, Department of Agricultural Economics, University of Wisconsin, Madison
Lyman Griswold	Attorney, California Freestone Peach Association, Hanford.

John Handy	President, Great Lakes Cherry Producers Marketing Cooperative, Sodus, Mich.
Floyd F. Hedlund	Deputy Director, Fruit and Vegetable Division, Agricultural Marketing Service, U. S. Department of Agriculture, Washington, D. C.
W. Gifford Hoag	Assistant Chief, Research and Information Division, Farm Credit Administration, Washington, D. C.
Kenneth Hood	Assistant Secretary and Director, Commodity Division, American Farm Bureau Federation, Chicago, Ill.
Maury A. Hubbard	Executive Secretary, Virginia Farm Bureau Federation, Richmond.
Lyman S. Hulbert	Attorney at Law, Washington, D. C.
R. V. Jacks	General Manager, Fruit Growers Cooperative, Sturgeon Bay, Wis.
Alan C. Jensen	Secretary-Manager, California Tomato Growers Association, Stockton.
Winton J. Klotzbach	General Manager, Cherry Growers, Inc., Traverse City, Mich.
Joseph G. Knapp	Administrator, Farmer Cooperative Service, U. S. Department of Agriculture, Washington, D. C.
M. E. Knouse	President, Knouse Foods Cooperative, Peach Glen, Pa.
John T. Lesley	General Manager, Florida Citrus Exchange, Tampa.
W. F. Lomasney	Associate Professor, University of Illinois, Chicago.
M. D. Love, Jr.	Executive Secretary, Florida Council of Farmer Cooperatives, Winter Haven.
W. M. Malin	Vice President, New York State Canners and Freezers Association, Oakfield.
Gerald D. Marcus	Attorney, California Canning Pear Association, San Francisco.
Philip N. Mark	Manager, Tri-Valley Packing Association, San Francisco, Calif.
Wendell McMillan	Marketing Division, Farmer Cooperative Service, U. S. Department of Agriculture, Washington, D. C.
N. W. Merrill	Executive Vice President and General Manager, Blue Lake Packers, Salem, Oreg.
A. Grant Moffett	Supervisor, Market Expansion Section, Virginia Department of Agriculture, Richmond.
Willis Mohlar	Director, Great Lakes Cherry Producers Marketing Cooperative, Gasport, N. Y.
Paul O. Mohn	Chief, Marketing Firm Management Branch, Federal Extension Service, U. S. Department of Agriculture, Washington, D. C.
Bradford Morgan	Division Manager, Cooperative GLF Exchange, Ithaca, N. Y.
Kenneth D. Naden	Administrative Counsel, National Council of Farmer Cooperatives, Washington, D.C.
B. B. Needham	Treasurer, Cherry Growers, Inc., Traverse City, Mich.
Sterling Norgard	California Canners and Growers, Ukiah.

J. Robert Nunamaker	Director, Apple Growers Association, Hood River, Oreg.
F. R. Olmstead	Attorney, Consumers Cooperative Association Kansas City, Mo.
H. M. Olsen	Executive Secretary, Washington State Council of Farmer Cooperatives, Seattle.
Homer J. Preston	Chief, Fruit and Vegetable Branch, Farmer Cooperative Service, U. S. Department of Agriculture, Washington, D. C.
Keith Reeve	President, California Tomato Growers Association, Stockton.
Rolland Reitz	President, Western New York Apple Growers Association, Rochester.
J. Kenneth Samuels	Director, Marketing Division, Farmer Cooperative Service, U. S. Department of Agriculture, Washington, D. C.
Marlon L. Schwier	Marketing Specialist, Wisconsin State Department of Agriculture, Madison.
Alvah W. Severson	Chief, Bureau of Market News and Cooperatives, New Jersey Department of Agriculture, Trenton.
Homer G. Smith	President, Central Bank for Cooperatives, Washington, D. C.
Jerry Stanek	Director, Great Lakes Cherry Producers Marketing Cooperative, Traverse City, Mich.
J. Kenneth Stern	President, American Institute of Cooperation, Washington, D. C.
Noel W. Stuckman	Coordinator, Market Development Division, Michigan Farm Bureau, Lansing.
Charles J. Telford	Manager, California Freestone Peach Association, Modesto.
Alfred Terry	President, Tri-Valley Packing Association, San Francisco, Calif.
John J. Timpson	President, Michigan Processing Apple Marketing Cooperative, Lowell.
Oral Tish	Manager, Idaho Potato Bargaining Association, Paul.
Richard Trostle	Director, Great Lakes Cherry Producers Marketing Cooperative, Biglerville, Pa.
Wayne E. Tyler	Field Director, American Agricultural Marketing Association, Chicago, Ill.
Barrie Vreeland	Traffic Specialist, Dairymen's League Cooperative Association, New York, N. Y.
Marvin H. Walker	General Manager, Florida Citrus Cannery Cooperative, Lake Wales.
Robert W. Wilcox	Extension Economist, University of Idaho, Boise.
A. H. Whitmore	General Manager, Florida Citrus Production Credit Association, Orlando.

OPENING STATEMENT

Joseph G. Knapp, Administrator,
Farmer Cooperative Service, U.S. Department of Agriculture,
Washington, D.C.

We are very much pleased with the interest that is evidenced in this fifth conference for bargaining cooperatives. The fact that we are here is proof that we are getting somewhere. It seems to me that we have cleared away a lot of brush and that we are getting nearer to basic problems. The next few years should bring significant achievements in broadening and deepening the path that we have been following.

One thing I would like to stress. As I see these conferences, we are not trying to sell anything. Rather, we are trying to see how we can fashion a cooperative instrument to help agricultural producers increase their incomes and sustain their industry. This isn't a one-way approach to heaven. It is one approach that may give results. It is an approach that may strengthen other approaches. Thus we welcome all students of cooperation into these meetings to help us best see where we are going and where we should try to go.

In my article in the January issue of the News for Farmer Cooperatives I emphasized the need of building dynamic cooperatives. This applies to the field of bargaining associations. In this article I said:

"We can begin to see the characteristics of the cooperatives that will increasingly dominate the next 10 years. Naturally, they must have able management--management which is creative, which thinks of new ideas and puts them into effect.

"The members must provide their organizations with the capital necessary to have them function properly. Members must give them the volume of business that is necessary for effective and economical operation... They must be soundly conceived--that is, they must be set up to do jobs well. Moreover, they must organize for pooled strength. Great energy can be released when cooperatives further each other, while furthering themselves.

"The work 'dynamic' implies more than growth. It implies ability to find new methods and exploit them."

Let's not lose our dynamism until we have a lot more achievements under our belts. Then perhaps--more dynamic leaders will take over.

WORDS OF WELCOME

Kenneth D. Naden, Administrative Counsel
National Council of Farmer Cooperatives
Washington, D.C.

This is the first opportunity I have had to attend one of these fruit and vegetable bargaining conferences. You can be sure, however, that my absence was caused only by other commitments. I have been invited several times and know of the importance of the subject matter you are covering. Therefore, I am pleased indeed to join you and also to welcome you to the 32nd annual meeting of the National Council of Farmer Cooperatives.

There is no doubt that the cooperative bargaining associations are in the forefront of farmers' attention at this time. This is partly because you have created a new surge of activity in this field and also because the development of more effective farmers' bargaining power is in the forefront of many discussions relating to national agricultural policy.

Cooperative bargaining associations have received more attention in recent years than other types of cooperatives. There are certain distinctive features about the bargaining associations, and their capabilities and limitations must be understood in order that their accomplishments will live up to their advance billing.

There is some risk in using the term "bargaining association" for your type of organization. The risk is that farmers, with no experience in cooperative marketing, will look on the bargaining association as the best - or perhaps the cheapest - way to exercise bargaining power. There is the risk that the term bargaining association will be confused with the collective bargaining activities of organized labor. There is the risk that farmers will believe that the creation of a group can, of and by itself--that is, merely by existing--raise farmers' income. Your experience has shown you that the organization of farmers into a group is only a means to an end.

A friend of mine wrote in a recent paper that American agriculture is now ready for a new wave of activity called collective bargaining for farmers. This seems to imply that collective bargaining for farmers is something new. We know it is not. We know that achieving stronger bargaining power for farmers has been going on since the first dairy cooperatives were formed in the middle of the 19th century. If my friend meant that we are ready for a new wave of activity to increase farmers' bargaining power, I believe he is exactly right.

I have looked at your program and you have selected many fine subjects. One of the toughest questions you have raised is how to maintain continuous

interest of the members. I recall an article written years ago by Professor Henry Erdman, University of California, entitled, "The Benefits of Cooperative Activities Tend To Disappear". I am sure you have observed this in your own and other organizations. As benefits are obscured, cooperatives have to work harder than ever to hold members.

Again I wish you a most successful meeting and am looking forward to joining in the discussions of these important subjects.

BARGAINING COOPERATIVES AND THEIR IMPACT ON MARKET STRUCTURE

Wendell M. McMillan
Marketing Division
Farmer Cooperative Service, U. S. Department of Agriculture
Washington, D. C.

The use of bargaining cooperatives as a method of marketing raw products to processors continues to expand among fruit and vegetable growers in many parts of the country. Not only do growers and agricultural leaders frequently discuss bargaining cooperatives at their meetings, but the number of associations actually formed continues to grow.

According to records kept by Farmer Cooperative Service, there are now at least 46 bargaining associations that have been formed to negotiate price and other contract terms involved in the sale of members' crops to processors. This is the number we know about -- possibly there are others that haven't yet come to our attention.

This number may not appear very large in comparison with, say, the more than 700 fruit and vegetable cooperatives of all types yet the number of bargaining associations has doubled in the past 4 years, while the number of other fruit and vegetable cooperatives has remained nearly constant. In fact, when the first bargaining conference was held in January 1957, only half of today's bargaining associations were then in existence. For a number of years now there has been an average net increase each year of five or six associations.

Of course it must be recognized that a sizable proportion of these associations, say one-third, are still in the organizational stage and are not yet actively negotiating as "going concerns." Nevertheless, the number of active associations has been increasing and other grower groups are considering the use of bargaining associations -- even such diverse groups as pulp wood producers and livestock farmers. In addition, agricultural publications, farm leaders, and others continue to express interest in this method of cooperative marketing.

Now this interest in bargaining cooperatives on the part of growers, processors, and others is not merely academic. Depending on their position in the industry, they are interested in, and raise questions on, the advantages or disadvantages this development has for them. For example, to the grower the question arises as to whether bargaining associations can or cannot help improve their farm income.

Processors are concerned with the effect of these associations on raw product costs both from the standpoint of their operating efficiency and from that of their competitive position in the processed food market. Cooperative processors, too, are interested in the roles of both types of cooperatives. Agricultural leaders and others raise

broader questions as to whether or not these associations can contribute to more efficient marketing and to the general improvement of agriculture.

In other words, many groups are concerned with the impact bargaining cooperatives are making, or could make, on the marketing of agricultural products. Since each group naturally is likely to look at the impact of bargaining associations from its particular point of view, it becomes necessary to have some objective basis on which to judge the overall performance of these organizations. We need impartial research and analysis that will provide all groups with facts that will help them judge the impact of this growing development of bargaining associations.

The purpose of this talk is to present some ideas or guidelines as to how we can assess the impact of bargaining cooperatives--one specific type of marketing organization--and their relation to bargaining power. While bargaining power -- or competitive power in the market -- can be developed through the use of bargaining-type cooperatives, other types of cooperatives such as packing and shipping associations, processing cooperatives, and sales agencies can all contribute to improved bargaining power for growers in various competitive market situations.

To assess the impact of these associations, it is necessary to have some objective method for measuring their effect. It is, of course, possible to cite the experiences of many associations as to how they operated in certain situations and what they achieved or didn't achieve. But often one can say that perhaps these same results would have occurred whether or not a bargaining association was involved in the situation. It is somewhat like defining an object as being high or large or long without any standards such as inches or pounds against which to measure these dimensions.

What methods of measurement do we have? In the physical world we use such measures as inches, pounds per square inch, gallons, bushels -- and even light-years to measure the distance from our earth to the stars. We have evolved these standards over the years through general acceptance by people needing a common language or standard which could be accepted and used by all.

When we turn to human affairs, such as in the economic and business aspects, our methods for measuring the impact or performance of economic organizations are less clearly defined and much less precise. It is easier to get people to agree on the dimensions of a piece of wood-- or even the dimensions of an atom -- than to agree on what the results are of some economic activity. One of the problems here is standards of value by which people judge situations. Depending on their experiences, background, code of values, or ethics, different people will judge the size of some economic phenomena, such as price, as too high or too low or just right. While this matter of value judgments is a complicating factor which does not directly concern us here, there is still the major problem of actually measuring what does take place.

Measuring the performance and behavior of firms is difficult because these firms are owned and operated by human beings. The human element is so complex that objective appraisal is at best extremely difficult. For example, in the physical sciences the chemist making an analysis of certain substances can first of all control the environment -- such as temperature and pressure. Then the inanimate substances -- which are not influenced by human emotion or the power of reasoning -- make possible successive testings that lead to exactly the same results each time the test is made. The substance contains this proportion of this element, that proportion of some other element.

The social scientist, on the other hand, does not have control over either the environment or the subject under investigation. He can't set up a business with certain controlled conditions under which the people in the business must operate in a certain way so that he can observe the results. Thus controlled experimentation -- a major tool in the physical sciences -- cannot be used in studying economic activities. Instead the social scientist must use less precise methods of analysis and testing to try to approximate relationships among the multitude of factors that are continually in operation in economic life.

Perhaps this discourse on the problems of research in the social sciences seems rather far afield from the topic under discussion. However, it seems necessary to recognize that in assessing the performance of some economic organization, such as a bargaining cooperative, we have very difficult problems to overcome if our conclusions are to be objective in the best sense of the word.

But, recognizing the problems involved, we still need to proceed as best we can to see what kind of answers we can get to the questions raised earlier -- questions on the impact of bargaining associations on agricultural markets. We can proceed by using past research and general observations to see how bargaining associations operate and to observe characteristics of the type of market situations in which they carry on their activities. From these observations we can then determine what would logically seem to be the result or impact of these associations on their environment.

With these tentative observations or generalizations as our guides, we then make studies in the field of actual conditions to see whether they confirm or deny the tentative predictions we have made. Through this method of testing, and then either accepting or rejecting, we learn more and more of the performance of these economic organizations and the reasons for the type of performance they exhibit.

This is the method we are trying to use in Farmer Cooperative Service in our research on bargaining cooperatives. We hope that this year we will be in the field collecting data to test some tentative ideas on their impact on the industry.

Now what are some of the tentative observations we might have, and what kind of logical framework can we put them into for analysis? What effects would we expect bargaining associations to have on the behavior and performance of the firms in relation to commodities that are sold by growers and bought by processors? For example, what influence on price relative to cost of production, or in other words, profits? What effect on rate of output? And what effects on efficiency of operation?

Or, what effect would bargaining associations have on the behavior of other firms, such as in pricing policies -- that is, determining what prices to charge, what and how much to produce -- and methods of competition between buyers and sellers? For example, do we cut price to compete, or do we compete by performing additional services, or by advertising?

To develop some generalizations or guidelines as to the effect of bargaining associations, we must look at some of the factors we think will cause or bring about various types of behavior and performance. Conventional price theory, as well as research studies, indicates that the quantity firms will produce and the price that will result are strongly influenced by three factors. First is the psychology of the buyer. That is, the buyer will tend to purchase more of a good as its price is relatively lower.

The second factor is the variation in cost of production; that is, cost per unit will tend to decline as production is increased up to a certain point.

The third factor has to do with the motivating force behind economic activity; that is, sellers and buyers will act to maximize profit, adjusting price, output, and anything else to further this end. From these three basic ideas we can predict many types of performance by firms.

However, it is clear that these three factors are not the only ones which affect how firms will perform. And this is where market structure comes in -- that is, we must also examine the nature of the market, the nature of the economic or competitive environment in which the grower and the processor must operate. We must observe the market structure, or those characteristics of the way a market is organized which seem to influence strategically the nature of competition and pricing within a market.

Now what are these characteristics which appear to be strategic in market structure? Four seem most important. They are:

1. The degree of seller concentration. This is described as the number and size of the sellers in the market. Are there many, few or only one seller in the market, and how big are they?

2. The degree of buyer concentration, or the number and size of buyers in the market.

3. The degree of product differentiation, or the degree to which the products of sellers are viewed as identical or different by buyers. For example, several toothpastes may be identical in physical make-up; yet due to advertising and brands they are viewed as different by consumers.

4. The conditions of entry into the market; that is, is it easy or difficult for new firms to enter the market and thus influence the established firms already there?

While there are certainly many other characteristics which influence the nature of competition and pricing in the market, when we consider just these four we are provided with a large number of possible different market situations, each having different results in firms' behavior and performance.

Thus, for example, we can have at one extreme this situation: many sellers; many buyers; a product of each seller which is identical to the product of every other seller; and conditions where it is easy for new firms to enter the industry. In such a situation, often called pure competition, we could predict that the performance of the firms among other things would result in operations at lowest possible cost and that there would be no profits in excess of normal profits such as interest on investment.

At the other extreme, if we had a monopoly situation where one seller controlled the entire market, we could expect a tendency toward restriction of output and monopolistic excess profits.

Considering the area in between these extremes, an area that accounts for the great bulk of markets in real life, we have various combinations of few buyers, few sellers, or both. Here, depending on the number of firms involved and the share of the market each supplies, we will find some rivalry among the firms, as in the case of pure competition; but because there are relatively few firms, the actions of one firm will influence the actions of the other firms. In other words, the few firms are interdependent with each other and so their actions might vary from express or tacit collusion all the way to open price rivalry leading to market warfare.

These few examples, then, show some of the possible impacts we might expect to result in different types of competitive market situations--that is, in markets with different types of structure. If we select from among these many possibilities some market characteristics that we might expect to find in the processed fruit and vegetable industry, some tentative observations can be made as a means of further illustration. Of course, this is not a statement of what actually exists

in any specific situation, but merely an illustration of possible results. Only actual scientific testing will permit us to confirm or reject these possible results.

Let us first take a case where there is no bargaining association. Here we might expect to find many sellers -- that is, many growers of some fruit or vegetable. While there may be some relatively large growers, in the total picture they are numerous enough and small enough that they each operate independently of each other and each sells in competition with the others.

On the buyer side -- that is, the processors buying raw product from growers -- we might expect a relatively small number of firms. Probably a major factor for this is technology; that is, the need for relatively large-scale operations so as to achieve efficient low-cost operation. Also, large volume operations may be a necessity for effective competition in the processed food market.

Besides number and size of growers and processors, we have the characteristics of the product. Here, as with most agricultural products in raw form, the products of each grower of a certain fruit or vegetable are in most essential respects similar to those of other growers.

And finally, with respect to the ease with which new firms can enter the industry, the barriers on the grower side are relatively low to other persons getting into the production of a certain fruit or vegetable. On the processor side, the capital requirements for entering the processing business, at least on an efficient, low-cost per-unit basis, would seem to erect some barriers to other persons or firms entering the industry.

These are some of the structural characteristics we might expect to find in some processed fruit and vegetable markets. Now, without going into details, what results might we expect in the performance of firms in this type of market situation?

On the basis of buyer and seller concentration -- that is, a relatively large number of growers and a relatively small number of processors -- we would expect the growers to be at a competitive disadvantage. This disadvantage would be reinforced by the identical products they each produce, thus making unlikely the possibility of any competition on the basis of, say advertising, rather than on the basis of price. Also the relative ease with which other persons can enter into the production of such crops maintains a constant pressure on the supply that is available for sale.

Now let us suppose that a sizeable proportion of the growers decide to form a bargaining association and thus market their crops jointly. What impacts might such a development have on the market structure of this industry?

First, we find there is a change in the degree of concentration on the sellers' side. Where there were many sellers or growers, now -- through joint sales made through the association -- there are relatively few sellers -- namely, the association plus those growers not belonging to the association.

As a result we might expect that the competitive position of the growers would be more nearly equal to that of the processors; and depending on the relative position of buyers and sellers, a price could result that would be similar to that resulting under pure competition with many buyers and many sellers. Also, to the extent the association should become a major factor in the market and serve as a price leader, all growers whether members or not would benefit from this structural change in the market. In addition, with relatively few buyers and sellers we might expect somewhat more stability of price over a period of time.

This improved competitive position of the growers could also be enhanced by a change in the product being sold -- the product being not only the physical object itself, but also including such characteristics as the quantity and quality in which it is available. Through the integrating device of a bargaining association, a large quantity of product meeting certain standards of quality may be a different product -- a product with a greater value than that obtainable by processors from large numbers of individual growers.

On the other hand, looking at the other structural characteristic -- ease of entry -- the existence of a bargaining association probably cannot have any effect on the ease with which other persons can enter into the production of these crops. In fact, this ease of entry is possibly one major factor that sets a limit on the competitive strength of a bargaining association.

This, then, in very brief and incomplete form, illustrates the type of guidelines we can develop to help us in testing and analyzing this question of the impact of bargaining associations on agricultural markets. Of course, as stated before, this is merely an illustration using only a few characteristics of some possible market situations. Firm conclusions must be based on concrete situations that have been objectively analyzed and tested.

In conclusion, I would like to point out again that attempts to measure objectively the impact of economic organizations, such as bargaining associations, are difficult at best. Nevertheless, the implications of this development to growers, processors, and others require that we try to do this in an objective, scientific manner.

An objective, impartial analysis is needed, for some persons or group with one point of view may say the impact of bargaining associations is felt in such ways as increased farm income, better coordination of supply with demand, increased marketing efficiency, improved quality

of product, and better methods of price discovery. Thus the final price achieved more closely approaches the economically justified price.

On the other hand, persons or groups with another point of view may see the impact as being negative in nature. They see no real improvement in farm income, for any higher prices achieved will merely encourage greater production, or will encourage processors to go into production or to shift plant locations. Or perhaps these associations can't really help since they don't control the product far enough through the marketing channels.

These are merely illustrations of points of view that can be taken with respect to bargaining associations. But for growers, processors, agricultural leaders -- anyone -- to assess their impact on agriculture, it is necessary to have facts. Without research no one really knows what all the facts are, and cannot either confirm or deny the advantages or disadvantages of bargaining associations. With interest in bargaining associations continuing to increase, we need to get more information on their actual impact on agricultural markets.

In our work we don't know if we'll get any real answers to this problem, but we hope that we are at least moving in the right direction.

THE ROLE OF BARGAINING COOPERATIVES IN MARKET EXPANSION

James H. Bryce, Executive Secretary
National Red Cherry Institute
Deerfield, Ill.

My experience with bargaining associations has been limited to observation. While I was located in California, I had the pleasure of seeing Ralph Bunje from time to time and to watch -- at long distance -- the very effective manner in which he met a number of difficult problems. In the red cherry industry we have a strong and growing bargaining cooperative led by John Handy and Berkley Freeman. It is bound to become an increasingly important factor in the industry, because it supplies a cohesive force for the producers which has been badly needed.

In my limited experience in observing bargaining cooperatives, it has been my feeling that their success varies directly with their interest in the whole broad range of what we term "marketing" and in their capacity to bring their understanding of marketing back to their grower members and to the specific job of bargaining for price at the grower level.

While these are very broad phrases, I am sure you agree that every organization serving producers under the banner of a cooperative has the responsibility of always seeking a better understanding of the multitude of variables working in the marketing picture and of bringing them into proper focus across the entire range of its activities.

The key words in the subject assigned to me are "role" and "market expansion." The term "role," of course, signifies the idea of a part to be played, along with others, in a design or, if you will -- a contest. The term "market expansion" may have a different meaning for each of us, but I am sure you will agree that increased sales would be a good common denominator. Increased sales through the creation of better consumer acceptance for a given form of a commodity -- obtaining better displays at retail for a given form of the commodity -- the development of new forms of a commodity that are in better line with consumers' tastes or the requirements of bulk users...these are some of the things we immediately think of in connection with market expansion.

The role of the bargaining cooperative finds its place in market expansion in helping educate farmers on the need for devoting more attention, talent, and money to the many-faceted problems of market expansion. In some cases this will run to the development of a new institution in the industry -- such as helping in the establishment of a processing-marketing cooperative. In other instances it amounts to hard work, from day to day, through fieldmen, district meetings,

newsletter, and the like -- on the parts that successful marketing and research play in the work the bargaining association is doing in its attempts to obtain a maximum price for the commodity at the farm level. The establishment of a maximum price at the farm level is contingent upon a reasonable inventory situation in the industry and upon upcoming marketing programs that will engage the enthusiasm and support of the trade, as well as consumers.

"Education" now ranks with God, Mother, and country -- but I submit that agricultural producers in too many industries are woefully lacking in their understanding of the problems involved in the current marketing scene. Of course, the activities of any bargaining association in this field depend upon the institutional framework of the industry. They also depend, to a great extent, upon the support that the "hired hands" get from their grower directors in what might be too easily thought of as a sideline.

One of the most important tools of market expansion is a price at the farm level that will permit processors and distributors to make a profit. Unless a commodity is reasonably priced in relation to its competitors, we all know that supporting promotional activities lose their impact. Also, it must be realized that chain store and super-market operators will simply not cooperate in terms of shelf-space and the use of point-of-sale material unless the item is profitable to them. This question of price and the profitability of an item to others in the marketing chain is fundamental to market maintenance -- not to mention market expansion.

I believe that the bargaining associations have several big jobs to do here -- first with reference to their price objective for a given season and -- secondly, with reference to keeping their grower members closely informed about how the product is marketed and what profits are essential for others in the marketing chain. I would urge that bargaining association managers and directors become more closely acquainted with people at the wholesale and retail levels of trade so as to understand their problems and objectives.

This question of pricing and retail competition brings us to the subject of the trading environment. Are the members of bargaining associations, especially the leaders in your groups, aware of the dynamic changes going on in this area? Do they know that the average supermarket now stocks from 5,000 to 6,000 items? Do they know of the immense offering of new items each year and the resulting displacement of items that do not move or turn over with sufficient speed?

Do they know of the tremendous emphasis now being placed upon the idea of convenience? In 1950, for example, frozen foods accounted for 1.7 percent of chain store sales -- in 1960 this figure had risen to 4.5 percent.

Do they know of the growing inroads being made by non-food items in retail distribution? In a certain large chain where I shop in Chicago -- because of the blessed presence of two small boys in my family -- drug-store items and dog food together take up more space than that given to canned fruit.

Do your producer members realize the significance to them of the competition now going on for the consumer's dollar? The U. S. Department of Agriculture tells us that agricultural groups, not including private corporations, spent \$67 million in advertising and promoting farm products in 1958. The best information we can get is that total food advertising in 1959 amounted to \$746.5 million.

How does your industry stand in this extremely competitive situation? Do your producer members realize that they must now pay as much attention to proper pricing and marketing as to the production of the commodity? Do they realize the need of putting their product into the hands of processors who have adequate sales organizations and understand the complexities of modern marketing? In short, do your grower members realize that the day is past when people are going to storm their gates to buy what they produce?

Why this harping on the need for growers to know about these subjects? To me, the answer seems quite simple -- unless the producers in an agricultural industry are properly informed about these things, they will not develop, or support the development of the types of institutions that are necessary to meet the challenges of modern food marketing. Should your industry be one in which there is a strong processing and marketing cooperative, growers in general, whether they belong to it or not, should be made to realize the job it is doing and the requirement it is fulfilling for the entire industry if it engages in advertising and promotion.

If your industry is one where cash buyers predominate, producers who sell to them must realize the need for such firms to engage in functions that will expand the market and must recognize the need for such firms to take the costs of such functions into account when they bargain with you regarding price.

One of the most important tools in the modern marketing scene is practical market research and market analysis. Probably the first thing we think of in this connection is the name Nielsen. However, there are other important channels for similar information on marketing or price relationships. One of the first that comes to mind is the example of the cling peach industry of California, where many important decisions are based upon price analyses developed in the Giannini Foundation of Agricultural Economics at the University of California, under the leadership of Dr. Sidney Hoos. Agricultural producers, in general, need to know more about such important tools -- how they may be used -- their value -- and their limitations. It is my belief

that any agricultural industry will be healthier in the long run the more facts it has at the disposal of its decision-making bodies.

Bargaining associations -- due to their close contact with producers -- are in an enviable position to inform their members about the need for such tools and to encourage their development and use wherever possible. I contend that market expansion for a commodity is now virtually impossible without the use of sound, factual information.

There is another broad area, in which both education and action have their place, where bargaining associations can play an important part in market expansion. This is in assisting growers to obtain State, or possibly Federal legislation that will permit them to work together in setting up organizations for advertising and sales promotion. My home State, California, is probably the leader in this field, where there are probably more than 30 industry groups organized to promote their products. Florida, with its Citrus Commission, offers another outstanding example of what an industry can do. However, there remain a number of industries where little or nothing has been done along this line.

Now, many agricultural producers have a great fear of arriving at a situation where the Government is "running their business" if they invoke legislation to assist them in their marketing programs. However, ample precedent exists to assure us that legislation can be developed that permits farmers to vote into effect only the type of operation they need and want. As for the Government running your business, it has been my experience that the Government is only too happy to leave the decisions with the industry groups. Bargaining associations, again, have the opportunity of bringing their growers information in this field and in assisting them to develop the necessary legislation in instances where a need exists.

Another important area where bargaining associations can help in market maintenance or expansion is that of quality improvement. The editor of "Chain Store Age," the authoritative monthly magazine covering chain store selling, tells us that one of the most important current trends in food merchandising is the growing emphasis by consumers upon quality. Your associations cannot only inform growers about what they lose by not pursuing sound cultural practices, but you can also gear your price bargaining to grades that encourage the production of better quality and thus give processors a better chance to upgrade their final output. It might be well to ask yourself whether the grade-price relationships that you bargain upon give proper incentives for quality production on the farm and whether they are geared to putting out a consumer package that has top acceptance with Mrs. Housewife. The question of quality is absolutely vital, because advertising and sales promotion money can be wasted if it is not supported by high quality.

Earlier in this discussion I mentioned the importance of convenience as a competitive factor in food merchandising. Is there enough investment within your industry in finding more convenient ways to present your products to the housewife or to the restaurant operator? If not, can your grower group stimulate the proper research and help pay for it -- or pay for all of it? It seems to me that this is an appropriate subject for bargaining groups to consider, because if you miss an opportunity, it is bound to restrict your market and thus limit the price opportunities at the grower level.

Perhaps you are surprised at how broadly I conceive of the role of bargaining cooperatives in relation to market expansion. However, I firmly believe that, as a marketing tool developed by growers, a bargaining cooperative must, if it is to be a successful servant of its members, constantly keep its members informed and closely cooperate with other organizations in the industry that are working for market expansion. The bargaining association need not, and probably should not, spread its functions too broadly, but it must bring a cohesive picture of the whole marketing structure to its members so that they will support other functions that are essential.

So far I have not spoken of the time element and in this connection I have always felt that there is a damaging tendency within agriculture to treat too many of our marketing problems on a seasonal, or very short-term basis. I judge it to be of utmost importance that there be developed more awareness of the time it takes to work out marketing problems -- in developing sound programs for market expansion -- and of how some action in the marketing sphere may not show adverse repercussions for 2 or 3 years. In its price negotiations, a bargaining association should take into account not only the immediate factors of supply and demand, but also consider other factors. One such factor might be the question of how a given price will fit a segment of an industry that has the problem of declining demand in relation to another segment. Another long-term problem might be whether a given grower price prevents the processors in an industry from plowing back enough earning to keep its capital equipment up to date.

I have spoken in large terms about the need for using bargaining associations as educational tools for their grower members and of bringing long-term considerations into your price negotiations -- and, of course, such are the privileges of one who has the rostrum! However, I want you to know that I realize the problems involved in the area of grower education and of trying to bring long-term considerations to bear on what could be more popularly treated as short-term issues. I'm afraid we must face the fact that the general run of farmers do not realize the stakes they have in the marketing area. Or perhaps they realize them, but do not know enough about marketing problems to bring the proper judgments to bear. In saying this, I am not deprecating the farmer's intelligence -- I'm simply saying that his specialty is production and that he needs to know more and more about the marketing sphere and the need for putting more

money, attention, and talent into solving the problems within it.

I hope I have given you a few ideas about the role that bargaining associations can play in today's marketing contest -- a contest for each industry which will result in either market expansion or decay. The human stomach can only hold about 32 ounces and the competition to fill it three times each day is intense and will become tougher in the days ahead. Only by bringing every possible resource to bear will each individual agricultural industry be able to hold its own in this contest, let alone expand its position. And in this contest, as I hope I have outlined, bargaining associations have a vital role to play.

RE-EXAMINING THE CONCEPT OF BARGAINING ASSOCIATIONS

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Farmers' bargaining associations have come a long way. They were set up to obtain improved prices and contract terms which affect farmers' incomes. Their growth in number suggests some degree of success in achieving their objectives.

Because of current interest in farmer bargaining power, it seems appropriate to re-examine the concepts of bargaining associations under present economic conditions.

I shall give attention to several factors which relate to the basic concept of bargaining. These include (1) the objectives of bargaining associations, (2) expansion of production by farmers, (3) economic motives for processor acreage, (4) changes in market structure which affect market relations between processors and retailers, and (5) effects of differences in demand between farm products and convenience services.

Objectives of Bargaining Associations

Bargaining associations seek to increase members' incomes from farming by negotiating price and contract terms which affect farmers' income. Leaders of bargaining associations express this in various ways. Proceedings from the first conference of this group, held in 1957 in Chicago, suggest that one criterion guiding bargaining associations' activities is the concept of equity between the grower and processor. Consider this statement: "In a profit system, the grower is as much entitled to earn a profit as the processor to whom he sells."

In other places, I find the aim of bargaining associations is directed to returning the "highest possible price" to members. Others qualified this aim by adding the phrase, "consistent with current economic conditions."

The manager of a leading bargaining association has stated that the pricing policy of his association under present circumstances is not designed to return the highest possible price attainable, largely because growers are willing to produce the crop at lower prices. That is, even at less than optimum prices economically feasible, growers are willing to plant more of the crop because it is a better alternative than most other farm enterprises.

Supply Response to Performance

Regardless of the terms used, my conclusion is that bargaining associations

strive to increase the income of farmers from farming. In the quest for this objective, they seem to encounter side effects, largely from increased supplies.

Normally, economists say the farmers' supply curve is such that additional acreage will be brought forth only at higher prices for the crop. Now we find that growers of some crops are willing to grow more acreage with the expectation that current prices will hold into the future. In a sense, efficiently operated bargaining associations tend to give some sort of "income insurance" to members, which makes them responsive to current prices.

What is the significance of this to bargaining cooperatives? It points out the inherent supply response from existing producers of the crop who expand acreage. It also suggests additional supplies will result from new producers who will be drawn into the industry, as the relative profit relationships between alternative crops change due to success in achieving the pricing policies of the bargaining associations.

We then arrive at the paradox of which many of you are aware: The more effectively the bargaining association can increase the income of producers relative to other crops, the greater is the supply which producers are willing to produce. The result is a downward pressure on price.

Experience in western tree fruit producing areas suggests bargaining associations look with warm affection under such circumstances to institutional arrangements which aid the industry to regulate supplies reaching markets. Market orders are often supported wholeheartedly by bargaining associations to reduce effective supplies. But market orders themselves, if effective, may bring about the same supply response as bargaining associations, since the objective of market orders is also to enhance returns - or protect incomes - of farmers.

Processor Acreage

And carrying the question of supply responses further, at what price will processors themselves enter into the production of the crop? We can rephrase the question, "Is there a tendency for processors to go into farming as bargaining associations increase raw product prices?"

At the outset, let's recognize some processors are currently engaged in farming to some extent. But I know of no empirical evidence to support the idea that processor activities in farming are the direct result of effective bargaining associations.

About 10 percent of the cling peaches, and 25 to 30 percent of the asparagus in California are grown by processors. 1/

1/ Bunje, Ralph Proceedings of Third National Conference on Fruit and Vegetable Bargaining Cooperatives, Farmer Cooperative Service, U. S. Dept. of Agr. p. 17.

With sweet corn grown for processing in 1955, 5 to 6 percent of the Ohio and Indiana acreage, and 22 percent of the Wisconsin acreage were grown by processors, and the practice varied among processors. 2/

Mueller and Collins report some processors grow a large part (and occasionally all) of their own raw product. But the great bulk does not because there are important technical diseconomies of integration through ownership. 3/

Lacking empirical evidence to support the notion that processor grown acreage tends to increase in proportion to the success of bargaining associations in raising raw product price, let's turn to economic theory for insights on motives for vertical integration by processors back into production.

We can eliminate technological reasons for processor integration into farming, because input-output relationships in processing, which affect costs, are not so closely related as in industry such as steel manufacturing.

We turn, then, to market conditions, such as uncertainty, of which there are many types. Uncertainty of supplies can readily be eliminated as a current cause of processor integration into farming, based on the willingness of farmers to produce most processing crops in ample supply. 4/ But when price aspects are taken into consideration as a joint variable with supply uncertainty, we find an economic motive for processor integration into farming.

For example, some Wisconsin canners grow early and late corn on their own or leased land, while depending upon farmers to produce corn during the regular season. These canners do so because they face a supply function that is less than perfectly elastic during certain supply periods - in this case early and late in the season when there exist crop uncertainties due to weather. Under such conditions, processors are willing to

2/ University of Wisconsin, Marketing Midwest Sweet Corn, N. Cen. Reg. Pub. 86, April 1958. p.5.

3/ Mueller, Willard F. and Collins, Norman R. Grower-Processor Integration in Fruit and Vegetable Marketing. Jour. of Farm Econ. 36(5) pp. 1471-1483 1957.

4/ However, in specific situations, uncertainty of supplies may be the main motive for processor integration into farming. The pear industry in Oregon and the potato processing industry in Idaho are examples. Generally, however, processors will use long-term contracts, and financial incentives to bring about adequate production from farmers.

assume the risks involved rather than to pay farmers a higher price to grow the crop during risky periods.

To induce farmers to grow this risky acreage, the processor would need to compensate farmers for assuming the risks, with the direct possibility that the higher price would need to prevail for acreage grown during the regular season. This would raise raw product prices on the canners' total pack. Therefore, the processor can afford to grow a portion of his requirements, often less efficiently than a farmer. By growing a part of his raw product requirements, the processor, during periods of excess supply can continue to process raw product from his own production, and pass on to farmers the burden of excess production through "skipped" acreage.

These motives for integration are present regardless of the existence of effective bargaining associations. However, if through effective negotiations, a bargaining association is able to increase returns from farming, we can expect processors to consider alternatives for the use of capital. When returns from farming are high and prospects for continued high returns exist, processors may find the alternative of farming a better source of income, particularly when excess processing plant capacity exists.

After studying integration by the retail food industry, Mueller and Garoian concluded that integration into food processing has occurred in industries with high concentration. 5/ In such industries, there exist strong barriers to entry from product differentiation and high capital requirements. Under such conditions, there exist high profits relative to less concentrated industries. Businessmen, then consider alternative opportunities for investment in industries with high return on investments - and farming cannot be eliminated when this position is achieved. However, profits of canning companies as a percentage of stockholders' equity averaged 8.5 percent before taxes from 1950-58. 6/ Profits to farmers in 1959 before taxes were about 7 percent on equity, a figure which includes the value of the farmers' own labor. This suggests returns from farming in the aggregate must improve before processors will become active farming competitors with farmers. For specific crops, however, returns on investment may be closer to that of processing.

Let's turn our attention, briefly, to changes in market structure in the food industry which affect bargaining associations.

5/ See Mueller, Willard F. and Garoian, Leon Changes in the Market Structure of Grocery Retailing, 1940-58, Res. Rep. 5, Agr. Exp. Sta. Univ. of Wis. April 1960. This report summarizes the findings of a recently completed study to be published shortly as a book by the same title by the University of Wisconsin Press.

6/ Agricultural Marketing Service Calculated from Table 7, The Marketing and Transportation Situation U. S. Dept. of Agr. July 1960. p. 16.

Concentration in the Food Industry

Food processing and food retailing are both more highly concentrated than is farming. The 20 largest canning companies accounted for 63 percent of the value of shipments of canned fruit and 47 percent of the canned vegetables in 1954. The frozen vegetable industry was even more concentrated. The 20 largest freezers together accounted for 78 percent of the value of shipments in 1954. 7/

In terms of marketing activities of these firms, economic theory suggests that large sellers have some important degree of discretion over selling policies.

Before turning attention to implications of changes in market structure of processing industries on procurement practices affecting farmers, let's give consideration to the relationship between processors and their customers, the grocery industry. This is necessary to understand the relative bargaining position of these two industries.

Changes in Structure of Grocery Retailing

By some measures, grocery retailing remains an industry of large numbers, despite a continued decline in store numbers since 1940. There still remained about 200,000 grocery retailing firms in 1954.

Concentration, however, has certainly increased in grocery retailing regardless of the measures used or the markets considered. 8/ In terms of total sales, chains accounted for 37.4 percent of total grocery sales in 1940, while in 1958 they enjoyed 43 percent. This volume was accounted for by 790 corporate chains operating less than 8 percent of all grocery stores.

The 20 largest chains accounted for 32 percent of total grocery sales in 1954, and 35.6 percent in 1958. 9/

Concentration of grocery sales at the national level is an important structural criteria which indicates the relative absolute size of firms, and is important in considering the competitive relationships between retailers and their suppliers which sell in a national market. This, then, has important significance to farmers and their bargaining associations.

Relative Market Power of Retailers and Processors

If we consider only the market concentration variable which I have just discussed, economic theory suggests that manufacturers have significantly

7/ U. S. Senate, Concentration in American Industry. 85th Congress, First Session. Table 37, pp. 41-42.

8/ See Mueller and Garoian (footnote 5, page 25 for an analysis of changes in the market structure of grocery retailing.

9/ See footnote 5 on page 25.

greater bargaining power in selling than retailers have in buying. Thus, economic theory would suggest that farmers should continue to realize benefits in transfers of income through negotiation with processors. This conclusion requires modification, however, because of other market structure variables which alter the relationships between retailers and food manufacturers - notably integration into food manufacturing by retailers.

Retailers have done so in two ways: (1) Through actual operation of manufacturing plants, which allows them to share in high profits in certain industries; and (2) through development of retailers' labels.

It is the conclusion of Mueller and Garoian that retailers are able to improve their market position in relation to their suppliers, beyond that suggested by market concentration, because of the increasing ease with which grocery retailers can integrate into grocery manufacturing, and their ability to develop their own brands.

These factors are important, because product differentiation is probably the greatest source of market power for manufacturers. The ability of grocery retailers to neutralize the market power of food manufacturers resulting from product differentiation has caused the more highly concentrated processing industries to perform more competitively than they would be expected to based on market concentration criteria alone. As a result, profits in some food processing industries have declined since prewar and postwar years.

Reductions in profits of food processors suggest limits on the amount of income farmers may expect to transfer from processors through bargaining, because the bargaining relationship between the two groups is a "derived bargaining" relationship.

Market Power Relations Between Processors and Farmers

The conclusions on relative power relationships between processors and grocery retailers are relevant because they reveal the sources and location of market power in the marketing system beyond the farm level. My conclusion is the "shift in balance" of market power to retailers bears significant consequences to bargaining associations.

On the other hand, concentration of the processing industries, coupled with spatial separation of plants, often give processors some discretion over procurement policies with farmers. And as the industry becomes more concentrated, to the point where the procurement policies of one company affect another, economic theory suggests a tendency for non-price competition to increase - such things as group health, and life insurance, free soil testing, credit, and the like, rather than active price competition. Under such conditions, strong farmer bargaining associations should be effective in bringing about equitable terms for farmers.

Differences in Demand for Farm Products and Services

Still another variable needs to be considered in this analysis - that of the differences in demand for food products sold at retail and the derived demand for the products at the farm. At one time the demands for products at the farm and in the store were more similar than they are today. But in our improving economy, with higher incomes and other changes, the demand has increased for services more than it has for the farm products themselves.

The terms elastic and inelastic are terms fairly well understood by farm leaders. Demand elasticity is a concept which measures the relative changes of quantities purchased to relative changes in price. Many farmers are aware that the demand for food is quite inelastic in the aggregate. This means that quantities taken off the market do not vary proportionately with changes in price.

On the other hand, demand for services added to food, such as with processed foods, has greater elasticity. Quantities of services demanded are more responsive to price changes. And the demand for services added to foods has increased about five times as much in recent years when compared with demand for food.

Unlike processing cooperatives, bargaining associations function within the sphere of the derived demand for the commodity being negotiated, since negotiations are held between the association and the processing level. The processor's demand curve is different from that of the wholesaler's or retailer's - it is more inelastic in the relevant ranges.

For farmers who are content with results obtained through this level of negotiation, this sphere of influence is the only one relevant. And for some farmers there is no alternative.

On the other hand, processing cooperatives, being further integrated vertically, are able to function within the sphere of primary demands, thereby returning to their members what benefits accrue from vertical integration at these levels. Thus, they have the opportunity of returning to their members not only the market price, but also the margins which can be earned from processing.

The difference in demand for services compared to that for farm products suggests farmers will continue to look closely at the opportunity of supplying more services. But they will need to raise their horizons, when considering processing cooperatives as an alternative, to acquire existing plant capacity and to form cooperatives which are truly integrated in operations, and which are capable of effective product differentiation if such cooperatives are to weather the competitive environment created by large-scale grocery retailers.

Summary

Changes in market structures of processing, food retailing, and differences in demand for farm and processed products are all important determinants of the long-term effectiveness of bargaining cooperatives as presently operated. Increasing concentration within the food processing industries enables processors to formulate certain procurement policies on an independent basis, and tends to shift competition from price to non-price factors. 10/

In processor-grower negotiations, market structure criterion of concentration is a relevant indicator of market power relationships. As evidence suggests, unorganized farmers are at a disadvantage in terms of market power when dealing with processors. This, then, suggests the concept of bargaining associations as vehicles to strengthen farmer negotiation with processors still remains a valid goal.

While evidence supports this conclusion, the changes in market power relations between processors and their customers -- the large-scale grocery retailers -- suggest bargaining associations may be limited in the amount of income transfer which they may obtain for their members from traditional bargaining activities on price or contract terms.

The balance of power seems to have shifted to grocery retailers who have effectively neutralized the market power of processors, including even large processors, through integration into food manufacturing and private labels. As a result, prices at the processor level may be expected to hover at, or near, competitive levels. Under such competitive pricing conditions, effective bargaining associations must use restraints in their negotiations with processors, to permit sufficient returns to capital to maintain modern, efficient processing outlets.

It seems natural that bargaining associations have negotiated with processors, since they represent the first handler level. And in the past, processors have undoubtedly enjoyed market advantage in selling to wholesalers, while maintaining even to this day their market advantage over individual farmers. But, if market structure changes are to be meaningful, they suggest that farsighted leaders of bargaining associations will be giving attention to means of extending their sphere of operations beyond the first-handler level.

Of course, marketing cooperatives do perform this function, and in some cases extremely effectively. But there still remain a large number of small cooperatives producing undifferentiated products, which are not

10/ Clodius, R. L. Fienup, G. F. and Kristjanson, R. L. Procurement Policies and Practices of a Selected Group of Dairy Processing Firms, Univ. of Wis., Bul. 193, Jan. 1956.

Andrews, Richard The Sweet Corn Industry in the Midwest Farm Economy, Tech. Bul. 232, Univ. of Minn., June 1959.

able to transmit to farmers the full benefits of a well coordinated, vertically integrated operation that possesses market power. In such cases, the challenge to bargaining associations may be to help strengthen such marketing cooperatives. At other times, bargaining cooperatives may be leaders in encouraging the acquisition of efficient processing companies by farmers.

Differences in demand for farm products and services suggest continued opportunities for farmers to invest capital in well-coordinated and efficient processing plants with product differentiation. The degree of vertical integration by which farmers gain access into additional stages in the marketing system varies among areas and commodities. Sometimes much can be gained by relatively little vertical integration as in the case of horizontally integrated bargaining cooperatives. In such cases, because of the high degree of substitution which exists among some farm products, leaders of bargaining associations may find it profitable to encourage the formation of bargaining associations by growers of competing or substitute products, with the hope they can function effectively.

At other times and under other conditions there may need to be more vertical integration into the marketing system. And the day may soon come when farmers may need to give consideration to the opportunities and responsibilities of owning their own grocery retailing chains, if farmers become dissatisfied as residual receivers of consumer demands and expenditures as translated to them under the existing marketing system.

But, perhaps, a more realistic alternative for bargaining associations is to consider means to negotiate for finished product prices directly with retailers, because of the shift of balance of market power from processors to retailers. Processing would then be done on a "custom basis" with the producer-retailer combine establishing the specifications and the margins.

These factors suggest bargaining cooperatives need to consider their role in improving farmers' incomes in view of broad changes in the market environment of other segments of the food industry. This is not to say that bargaining cooperatives have not made real contributions to farmers, nor do these remarks imply that there appears a diminished function for farmer-controlled bargaining associations. To the contrary, it appears that changing market structures in food industries will bring about added, albeit different, functions and responsibilities for bargaining cooperatives in the future.

THE ROLE OF BARGAINING IN A TOTAL APPLE MARKETING PROGRAM

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Dr. Knapp, in assigning the title of my subject today, very helpfully narrowed the field a little -- "The role of bargaining in a total apple marketing program." He still left a very big world; for, to me, the term bargaining is a very inclusive word, and the term marketing is broader and more inclusive by far. Albeit unfortunately, it is still too often limited to the back chapters of far too many text books on production.

A small committee of five responsible commercial apple growers and industry leaders of our Western New York Apple Growers Association can vouch for this. They have studied some of the complexities. They took on an assignment by our association board of directors a year ago -- and are continuing work on it -- to study and make recommendations on ways and means of improving Western New York grower returns for apples through improved marketing structures. They met almost weekly throughout most of last winter and into the spring and summer. They renewed their study, in closer detail yet, this past week.

Dr. Max Brunk, of Cornell University, whom I'm sure many of you know, an able researcher, a keen observer, a practical and "gloves off" economist, and a good teacher, worked closely with the committee and set up and conducted a number of research studies and surveys to investigate questions and problems evolving from their inquest. Some of these are still in process.

I have had the good fortune of studying with this committee. Whatever else may come of it, it is highly desirable exercise for marketing education and understanding.

Unfortunately it has to be a small class technique to be most valuable; hence in terms of individual experiences, it is limited in numbers. But the values will go far beyond the individual. It has been far more than a series of "prayer meetings."

In October, the committee presented a report of five recommendations to our Association board of directors and the Western New York grower industry. Briefly, and modified a little to adapt to situations other than just Western New York, these five recommendations were:

1. Continue and expand effort in advertising, promotion, and merchandising;

2. Organize local and regionalized marketing cooperatives; (specifically for Western New York growers, a processing apple marketing association with price negotiation authority.)
3. Obtain both State and Federal authority for marketing agreements and orders and establish marketing orders to assist in the several areas of marketing where orders have proven effective for related situations in other commodities;
4. Sponsor and encourage the creation of better, and more closely consolidated and coordinated marketing structures (distribution and sales and service and processing structures);
5. Sponsor and organize procedure for the acceleration of new apple product development and other marketing research in the apple industry, with emphasis on introduction and initial implementation of ways and means of getting new products into the life blood of the apple industry.

These are not alternatives. All are important parts of a total apple marketing program and all are interdependent.

I'll not get into the details of how and why each of these is deemed applicable to our Western New York apple industry nor into the details behind each recommendation.

This is a very digested total apple marketing program (a "thumbnail sketch" of five important interlocking divisions of it) -- and bargaining is one of them, but only one, as a specifically identified entity. It is an important part of all of them.

There's an old analogy, and you've heard it I'm sure, but it's still very apt I think of these relationships in marketing -- the story of the three blind men who were asked to describe an elephant. They were permitted to examine the animal but were leary of moving around very much. The first man got hold of the elephant's trunk -- "An elephant is shaped like a large snake - only he has a very blunt head." The second got hold of one leg and concluded that an elephant was very much like a tree trunk -- and the third, who had hold of his tail, concluded that an elephant was rather like a long-handled bottle brush. Each had a description within his immediate field of physical vision, but none had really described the elephant.

And so, too, with the total marketing complex, we each, naturally, tend to see most clearly that phase of it with which we work most intimately. Indeed, we sometimes develop nearsightedness because of this. To use another worn analogy -- "We can't see the forest for the trees."

Now it is very true that we (and I mean our various commodity and general farm organizations) can't each be all things to all people, and most

assuredly should not try. Our marketing efforts in the apple industry in New York and nationally can't all be handled effectively by one organization - nor by several operating independently, each trying to work in too many overlapping areas (albeit they may all be related). But what is needed, I believe, is a better understanding of all the parts of the elephant - and much better coordination of our marketing efforts.

It is at this juncture of understanding and coordinating where many of our farm organizations, I think, run into difficulties of competitive duplication, misunderstanding, and "spun wheels."

As farmers and farm organizations we are in an era of marketing bewilderment. We are realizing, with relatively sudden impact, the true importance of the total marketing program in agriculture; that it is of equal importance to and intimately part of production and the total food business of our Nation and the world. Particularly we are coming alive to the role of the farmer in this entire complex.

Our reactions (and actions) are reflected in a mixture composed of (1) a liberal portion of a familiar ingredient in agriculture, resistance to change; (2) prideful defense and protection of the farm organizations and agencies and services we have (private and Government associated); (3) adding services and activities to these organizations and agencies to attempt to answer the demand to get on the "marketing band wagon"; (4) developing new marketing organizations to try to comply with these demands -- and finally; (5) politically, trying to solve the problems for rather than with farmers.

Farmers are, more often than not, members and participants in many or all of the organizations involved. That they are a little bewildered is understandable.

It isn't my purpose to inject my thoughts as to which existing or new organizations or agencies should undertake which marketing functions, but it seems to me that our understanding of the total marketing program of any commodity is rather too limited -- and no matter which record (or which organization) we play, the music sooner or later all comes out rather similar. We find ourselves pushing competitively in overlapping programs, oftentimes with a primary objective of winning support of our membership over a competing organization, justifying our existence rather than working hard to serve an essential industry purpose which we have determined must be served and is not otherwise being served.

It may even well be that historically and habitually we limit ourselves in marketing improvement study to specific commodities whereas some real opportunities may well exist across commodity lines.

There is need for understanding and there is need for coordination of effort and serious determined work for our respective segments of agriculture. To that end, conferences of this type here today can be most helpful.

Bargaining, as I see it, is more than a specific organization in a total apple marketing program. Certainly it is more than collective bargaining or price negotiation as we recognize these functions in the purpose and programs of organized labor. It's more than "dickering for a price" when you're on the porch and the lady has come to the door, so to speak, - or calling on the processor to suggest a fair price for your apples. Not that this isn't important, too.

Bargaining, as I see it, first of all encompasses as many as possible of the functions which derive for you a favorable position for asking your price. Some of these functions are: The consolidation of selling and the elimination of multitudinous grower intra-competition; furnishing the quality and varieties and volume necessary (in processing the line of needed items); the services you can provide; the efficiencies you can provide to buyer and seller; the uniformity and consistency and dependability you can provide; the price protection to the buyer you can offer; and the flexibility of service adjustment in marketing.

Other functions are: The backing you can give your product in channels of trade, particularly with consumers (promotion and advertising and merchandising assistance to handlers, and the like); the alternatives you can develop in product utilization opportunity -- in product research; informational services -- which give you the satisfaction and advantage of knowing more about your product and its competition than your buyer knows, and the like.

When you sell, these functions are all part of the package you sell or use in your sales kit. To the extent that you have them, they are your bargaining power.

As Charles Schuman of the American Farm Bureau Federation has said regarding the three commodities their American Agricultural Marketing Association is devoting pilot interest in as a place to start their efforts, you can't bargain effectively for apples, if you start only after they're on the tree, tomatoes only after they're on the vine, and asparagus only after the shoots pop through the ground for you are lost before you start. I'm not certain that this is what he intended to convey, but to me when he says that, he concurs in the importance of all the positive continuous marketing functions which will help you sell these commodities -- or already have them sold when you harvest them -- at the best practicable price possible.

So again, in the inclusiveness of bargaining, to me, understanding and coordination are of prime importance. Duplication of organizational effort and inter-farm organization, jealousy, and competition are the big obstacles to farmer marketing progress. Understanding and coordination are the big challenges.

Boiling the objectives of marketing down to three perhaps oversimplified common denominators, as I see it, there are three essentials for which our marketing organizations and structures should exist. Assuming that

the business of business (agricultural or otherwise) is creating and fulfilling consumer needs and desires at a profit, then:

1. We must constantly create and maintain demand for our products (Apples - or other commodities);
2. We must keep the supply of these commodities reasonably in line with the demand we can create and maintain;
3. And we must strive to assure a fair return for our product commensurate with the favorable supply and demand relationship we can obtain.

Again, these objectives are interdependent, all equally important; essential for understanding and coordination by the organizations and agencies and services and individuals who serve each objective; essential for sound and knowledgeable specialization for the particular objective that any given group serves.

And the role of bargaining? Well, as I like to think of bargaining in its inclusive application -- it is No. 1 and 2 operated to accomplish No. 3. Specifically, as an organization or service, it is No. 3.

Whether bargaining is the result of demand creation and supply control and effective consolidated selling by producers or is the object of a specialized function to capitalize on and clinch the results of demand and supply relationships equitably for producers depends the definition of bargaining. In reality, I believe, bargaining is some of both.

Whether bargaining need be the specific objective of a special organization, or one of the major objectives of good knowledgeable aggressive distribution, sales and service marketing organizations could be debated at some length, I am sure.

I am inclined toward the latter. The history of bargaining organizations which were organized for and functioned purely as collective bargaining or price negotiating organizations, has, for the most part, not been favorable, as measured by their life spans - or their successes.

Those which have survived, those which have made real contributions in marketing, are those which have provided other positive market service contributions to seller or buyer or both, or have operated in a total marketing relationship in which these services were reasonably well satisfied by other organizations or agencies or marketing "tools," with supply control and with marketing service provisions.

Our marketing coordination study committee, to which I referred earlier, while still wrestling with this one, envisions a bargaining association for processing apples, if this is the correct identifying term, as a marketing organization which would devote its major efforts to thoroughly

understanding price--supply--demand relationships for apples in Western New York each year. And, coordinating with other eastern regional organizations of similar objective, would provide information and education services to the industry to the end that fair price would more nearly result -- and if need be -- to collectively negotiate to arrive at such a goal.

Such organizations would, of course, be legally constituted to work for these objectives.

The committee envisions that these sound -- and timely -- information and educational services would be of greatest value and could well alleviate the necessity of attempted collective bargaining or price negotiation.

The committee further envisions that this service should and would ultimately transfer to better, more consolidated and coordinated sales and service marketing structures, also one of the committee's five recommendations. These sales organizations, if properly set up and operating, should have the real inclusive bargaining power to which I referred earlier and should eliminate the need for any specialized collective bargaining organization.

Should the consolidation of sales and service structures appear more promising of creation, then this would be the immediate recommendation, bypassing the bargaining association, as such, or at least obviating its collective bargaining needs. If the sales structures can be organized under proper legal authority and of sufficient volume either through consolidation or coordination, they could of themselves obviate any other special organizational bargaining need and operate in a more positive, more acceptable, more business-oriented atmosphere to accomplish these same objectives.

In summary and conclusion: The role of bargaining in behalf of growers in a total apple marketing program should be the very essence, the "guts" of a total marketing program. It should not exploit the industry to the disadvantage of any of its essential parts, but it should strive to produce out of the industry the maximum return practicable to growers; to maintain and develop the health and progress of the industry; to challenge all segments of the industry; to work for the welfare of the total industry -- for the very selfish and practical reason that this is the growers "bread and butter."

The avenues taken, or the mechanics of accomplishing bargaining should be those which experience has shown to be the most practical, ethical, and contributive means to accomplishing its objectives. And they need constant updating as experience and knowledge dictate. They may include voluntary organizational effort, self-imposed State and Federal marketing order application, cooperatives, corporations, local, regional and national coordinated effort, within commodities and inclusive of several commodities, plus "tools" we may not yet be aware of.

I do not see bargaining as any revolutionary new concept or new "tool" in marketing but, for agriculture, it is a realtive new recognition and identification of the very old function of selling goods.

As the evolution or revolution in the food industry, particularly its marketing aspects, unfolds, I see a very critical need for increasing understanding and coordination of organized effort by farmers which, though of necessity improving, still is not nearly sufficient to protect and progress the farmer's welfare in the food industry.

The farmer has progressed himself into most of the problems of abundance in America today. We can all be justly proud of this. This has been largely in the area of production progress. We need equal or greater applied effort to assure ourselves a more equitable return for this progress. The first could be capitalized upon as individuals. The latter will take increasing cooperative effort. Indeed, both need retraining as we learn to work them in "double harness" as opposed to the single harness gear on the production side and not much more than a bridle on marketing!

Discussing bargaining as something separate from the total marketing program, to me, is like discussing the qualities of the left halfback or an end on a football team. Apart from the coordination of the entire team, the isolated functions of the individual members or parts of the team are somewhat limited. We may talk about the speed of an end, his pass-receiving ability, his agility, and the like. He may be the standout, the driving force, but his real contributions, and his greatest assets are only seen and only exist in a useful way, as he functions in his relative position with 10 other men on the team to win ball games.

Likewise, bargaining, as I see it, is both an objective of several coordinated marketing functions and, as a specific entity, exists most effectively only in concert with a total marketing program.

The tempo of interest and grower demand to organize bargaining associations or cooperatives is, of course, at probably an alltime high -- by commodity groups, by general farm organizations -- some with understanding, some without.

To the extent that there is understanding -- and coordination of effort -- this is healthy and good.

But -- our processing and sales and service cooperatives are being discredited in some instances -- insofar as their capacity and qualification and intent to serve the best interests of growers are concerned and other sound service organizations are pressured in various ways.

Thus, there is a very vital challenge to us -- that growers, at least, most certainly grower leadership, understand their true objectives --

and how to reach them -- that they not sell out the tangible, positive cooperative progress they've made over the years -- for a bargaining cooperative whose magic may finally be found to be just good total cooperative marketing, inclusive of bargaining.

THE AMERICAN AGRICULTURAL MARKETING ASSOCIATION:
OBSERVATIONS AFTER THE FIRST YEAR OF OPERATION

Kenneth Hood
Assistant Secretary and Director, Commodity Division
American Farm Bureau Federation
Chicago, Ill.

The increased specialization of agriculture, the trend toward fewer and larger farms, the concentration of buying in the hands of fewer and larger concerns and the increased use of contracts in the purchase of farm commodities create new and different marketing problems for farmers everywhere.

We are challenged as never before to find answers to these and many other marketing, business management, and commodity problems of our members. Many of our members see this challenge as an opportunity to make Farm Bureau a more vital living force in the everyday business lives of more and more farmers.

Agriculture has always been competitive and will continue to be so. The ease of entry into agriculture, the large number of producers, the absence of trade secrets, the wide diversity of interest, and the nature of our production render it difficult, if not impossible, for agriculture to lessen its competitive nature.

Since we must be competitive in an economy where many segments are becoming less competitive, we have a great interest in making our society as a whole more competitive, rather than less. Accordingly, our efforts to curb monopoly in big labor, big business, and big Government will be intensified. And our efforts to mobilize our forces through large-scale effective organizations will become an absolute necessity for economic survival.

Some have become enamored with the apparent success of labor unions in the bargaining for industrial workers and have sought to enlist their help in organizing and negotiating for farmers.

We recognize the rights of labor to organize and bargain for wages and better working conditions, but we deplore efforts to organize farmers and increasing activity designed to determine agricultural policy, including Government regulation of wages and hours of farm workers. Moreover, farmers have an interest as citizens in the kind of an economy this politically important segment of our society favors.

It is our belief that farm organizations should speak for farmers, act for farmers, and bargain for farmers -- and not labor, business, Government or any other group.

Others would rely primarily upon increased governmental intervention to increase the bargaining power of farmers. This would be done by expanding and possibly nationalizing market agreements and orders by enacting legislation to limit supplies through acreage controls or market certificate plans, or by setting up producer "stabilization boards."¹¹

We believe that this job can best be done in many cases through an expansion of farmer-owned and farmer-controlled cooperatives and a merger of many of these cooperatives into larger and more effective units. The bargaining type of cooperative will find application where there is a large volume of product purchased by relatively few buyers on a contract basis. Some examples of a situation where a bargaining association might help include canning factory crops, vertically integrated industries such as broilers and turkeys, and chain store purchases of a large volume of specific quality products on contract.

Most of you are acquainted with recent Farm Bureau activities in the marketing and bargaining field and the economic forces that were responsible for our entering more aggressively into this field of activity. I say more aggressively because we have, since the day of our Charter more than 40 years ago, been actively interested in improving the economic and marketing position of farmers. In fact, our total program in Farm Bureau can be looked upon as a great bargaining effort of 1,600,000 farm families who have united to seek improvement in our agricultural economy.

During 1959 our Board of Directors studied the need for strengthening the bargaining position of producers of certain commodities. This was done pursuant to the policy resolutions on this subject which were adopted by the voting delegates at the 1958 annual meeting of the Federation. At the September 1959 meeting consideration was given by the Board to a report of a special Farm Bureau Committee authorized by the Board to study this matter. This committee concluded:

1. That the AFBF and the State Farm Bureaus have an important role to play in efforts to increase the bargaining power of farmers in general;
2. That first consideration should be given to improving the bargaining position of producers of processed fruits and vegetables at the national, regional, State, and local levels.

The Board approved the Committee's recommendation that the State Farm Bureaus in States with important acreages of processed fruits and vegetables be urged to examine the need for organizing bargaining associations of producers of these crops where they are not effectively organized at present and that proper Farm Bureau controls be incorporated into the legal structure of such associations. The Board of Directors also gave favorable consideration to the recommendation that the AFBF

set up a national marketing subsidiary for agricultural commodities.

At its December 1959 meeting the Board of Directors of the AFBF took action recommending to the delegate body that it give favorable consideration to the following proposal:

That a national marketing association be established as an affiliate of the American Farm Bureau Federation, with the necessary legal controls provided in its corporate structure to assure a continuing, satisfactory relationship with Farm Bureau. The objectives of this national association would be:

1. To assist State Farm Bureaus in organizing and servicing bargaining associations.
2. To provide a means to coordinate the efforts of the State and regional bargaining associations.
3. To conduct research; analyze contracts and contract terms; and to furnish information on supply, demand, contract prices, and the like.
4. To discuss -- and if it becomes necessary, to negotiate -- contract terms, quality control, and related matters with individual companies that operate on a national or regional basis, and with national and regional associations of canners, freezers, processors, packers, buyers and others engaged in, or associated with, the purchasing, handling, and selling of agricultural commodities.

Resolution of Voting Delegates at the 1959 Convention Regarding Proposed National Marketing Association

Be it resolved that this voting delegate body hereby approves the recommendations of the Board of Directors for the establishment of a national marketing association as an affiliate of the American Farm Bureau Federation, with the necessary legal controls provided in the corporate structure to assure a continuing, satisfactory relationship with Farm Bureau, and that the Board of Directors is hereby authorized to invest such funds of the Federation as it may deem advisable in the purchase of stock or other securities of said affiliate.

Much of what I have just said was discussed at this Conference a year ago. What have we done since? Let me outline in brief our progress to date.

1. The American Agricultural Marketing Association was incorporated in January 1960 as an affiliate of the American Farm Bureau Federation, under the Illinois Cooperative Law.

2. Tentative bylaws were adopted by the temporary Board of Directors, within the 30-day period of incorporation required by the Illinois Cooperative Law.
3. An "Interim Advisory Committee" of managers of Fruit and Vegetable Bargaining Cooperatives was set up to advise on plans, programs, finances, membership in AAMA, organization of un-organized areas, and other matters. This Committee met twice during the year.
4. Wayne Tyler, a former member of the American Farm Bureau Field Staff, was hired as Field Director of AAMA about 6 months ago.
5. Since the bargaining type of organization has possibilities in most areas of marketing where contract negotiation is involved, it was obvious after some early exploration that we couldn't work in all areas at once. It was then decided to begin work in the processing fruit and vegetable field with first attention to the following processing crops: Tomatoes, asparagus, and apples.
6. Advisory committees for the above processing crops were set up with the assistance of State Farm Bureaus. Meetings of the tomato and asparagus committees were held in Chicago on December 29 and 30. An apple meeting is planned on February 10. These committees have been of great value in helping to make plans for assisting existing bargaining associations and in organizing new ones.
7. Task forces composed of President Shuman, Wayne Tyler, and representatives of our Legal Commodity and Field Staffs have held all-day sessions with officers and key staff of a number of State Farm Bureaus in States where organizational activities are contemplated.
8. Many State Farm Bureaus are following the AFBF pattern and are in the process of setting up cooperative marketing affiliates to assist existing bargaining associations, to organize new associations, and to engage in other marketing activities. In most cases, new activities will be organized as departments of the State marketing affiliates and not as separate organizations.
9. Economic studies in other commodity fields are underway since a number of our members in many parts of the country have pressing marketing problems outside of the narrow areas in which we are concentrating our present efforts. Preliminary investigations are being conducted in broiler marketing, egg marketing, and livestock marketing.

10. Organization in the States. Note: Wayne Tyler, Field Director of the AAMA, was called upon to summarize State activities. In this discussion it was pointed out that State marketing affiliates were set up, or about to be set up, by Farm Bureaus in Ohio, New York, Pennsylvania, Indiana, Wisconsin, Texas, Illinois, Oregon, Idaho, Colorado, Utah, Michigan, and in several other States.

New organizational activities in processing fruits and vegetables were reported in Michigan, Indiana, Illinois, Wisconsin, New Jersey, Pennsylvania, Ohio, and in several other States.

11. We are in the process of developing programs for AAMA and the State marketing associations. These include organizational procedures, information, research, finance, legislation, and assistance in negotiation, when needed.

In our work in organization we are pointing out the necessity for thorough study before new associations are launched. In answering the question, "Are there opportunities in your State," we make the following observations:

When a marketing problem arises, it is necessary in the beginning to ascertain the type of marketing organization that would be most suitable if organization is contemplated. Frequently, it will be advisable to set up an organization that will physically handle the product. In other cases, a sales agency would be advisable. When contracts are widely used, the bargaining type of organization may be the answer.

If you are exploring the possibilities of marketing activity in your State, remember that it takes different approaches to solve different problems and no two situations are the same. This means that we can operate on a broad set of general principles the procedures but we must treat every situation as a case study.

- a. A first -- and very necessary step -- is a comprehensive and objective analysis of the present marketing situation. This study should include: Volume and location of production, present markets and prices, the number of buyers, buying practices, producers' interest in organization, and an appraisal of the possibility of success if an organization is started.

If you are interested in organizing a processed vegetable bargaining association, for example, you would need such specific information as:

- (1) Producer interest;

- (2) Acreage that needs to be signed up and acreage that it appears possible to sign;
 - (3) Volume of business necessary to finance a successful operation;
 - (4) Saturation in competitive areas and ability of buyers to shift acreages to other areas;
 - (5) Supplies, demand, contract prices in previous years, comparison of contract prices with prices paid elsewhere;
 - (6) Trend in production and demand;
 - (7) Effect of open market supplies and possibility of sign-up of these supplies;
 - (8) Attitude of processors
- b. Another important step would be to develop plans to set up the marketing association as an affiliate of the State Farm Bureau with adequate legal ties to insure Farm Bureau control.
 - c. Other steps would involve membership meetings, sign-up of members, development of programs, staffing, and operations.
 - d. Consideration should be given to application for membership in the American Agricultural Marketing Association if it appears that this action would be of mutual benefit to your affiliate and the AAMA.

12. Membership in AAMA. We expect to start accepting members in AAMA within the next 2 months. All members must be approved by the State Farm Bureaus where the organizations are located and the Board of Directors of AAMA.

CONCLUSIONS

Some would solve the farm problem through Government. Others would call upon labor or business interests to assume leadership in solving farm marketing problems. Still others believe that we can increase our bargaining strength, keep control of our own industry, and concentrate upon producing what consumers want if we provide an opportunity for farmers to solve their marketing problems through their own organizations. If we are successful here, we have taken a long, momentous step in the direction of a real self-help program of, by, and for farmers. There can be a new day for agriculture if we plan well, work hard, and build a sound program within the frame work of our private competitive enterprise system.

Notes on the round-up of

RECENT DEVELOPMENTS IN BARGAINING

Various participants in the Conference presented highlights on recent developments in their bargaining associations, as well as in other associations in their areas. Following is a brief summary of these reports.

Apples -- Charles Telford reported that the California Processing Apple Growers Association, San Francisco, organized on July 1, 1959, successfully negotiated its first contracts with processors this past year. The crop was slightly short, and the price achieved was the highest on record. The association expects satisfactory processor relations in 1961, is encouraging more processors to can applesauce, and is expanding its membership and staff.

Robert Wilcox reported that the Idaho Processing Apple Growers, Caldwell, has been organized, but is not yet negotiating with processors.

Noel Stuckman said that the Michigan Processing Apple Marketing Cooperative, East Lansing, incorporated in 1958, has been inactive until this past summer. However, a Farm Bureau survey has been made and interest in bargaining is growing. Hopes are that they can negotiate in 1961.

Richard Trostle reported on the Appalachian area. While the Virginia association has lost some membership, Pennsylvania is ready to go. Processors have indicated a willingness to negotiate when the growers in the various States get together.

Fred Corey's talk, given elsewhere in this Proceedings, discusses the interest of Western New York apple growers in bargaining.

Apricots -- Cameron Girton indicated that apricot growers in California are now organizing a bargaining association.

Cherries -- John Handy reported on the Great Lakes Cherry Producers Marketing Cooperative, Grand Rapids, Mich. In business for 3 years, this association had about 30 percent of the red tart cherry tonnage in the Great Lakes region its first year, while last year it had slightly over 60 percent. The association was able to establish a price last year which will permit an orderly movement of the product. Also, for the first time, large buyers entered the market and they took their requirement right from the start. Last year the association had to have some custom processing of cherries in New York, but came out all right. This year, for the first time, buyers in New York paid cash for the cherries.

Turning to foreign marketing activities of the association, Mr. Handy reported the association received many inquiries in response to the samples

it had sent to Farm Bureau's Rotterdam office. Mr. Handy toured European markets last year, and now the association has employed a full-time staff member to sell in foreign markets.

The association is interested in getting more information through research and is trying to set up a research organization, probably at Michigan State College. It is also interested in trying to get market orders in the various States it serves.

Cling peaches -- Ralph Bunje reported that the bargaining climate for the California Canning Peach Association, San Francisco, was less favorable last year, and although it sold 8,000 more tons, the price -- \$2.50 under 1959 -- was below cost of production. He expects extensive tree pullouts, but looks forward to a better bargaining climate in the future. Problems faced include competition from other fruits and other production areas. He also reviewed labor problems in California, and the proposed increases in wages and working conditions for women and minors. If farmers in California are faced with a minimum wage, they may have to strive for a national minimum wage to maintain their competitive position.

Kadota figs -- Charles Telford said that Kadota Growers, Inc., Planda, Calif., obtained a record price in 1960 due to the short 1959 crop and no carryover. All these figs are grown in three counties and are sold through the association. It has a problem of declining acreage due to conversion to other crops.

Freestone peaches -- Mr. Telford said that the California Freestone Peach Association, Modesto, Calif., is beginning its sixth year of operation. To meet the problem of increasing production, the association has encouraged marginal producers to withdraw. One way of doing this is to use a questionnaire on production costs which shows individual growers how they stand. Also the association dropped some members because of quality problems. He thinks quality is always important, especially as the market becomes increasingly competitive; and the association must consider quality of members as well as quantity of members.

Mr. Telford also reported on the Washington Freestone Peach Association, Yakima, Wash. Faced with serious problems, this association completely reorganized last year. Membership is increasing again, and the association has about 70 percent of the free tonnage in the area, and about 50 percent of the actual tonnage. The association now expects a brighter future.

Olives -- Mr. Telford said that the Independent Olive Growers of California, Porterville, now in its second year, bargained last year and sold all its fruit. Possible oversupply is a problem since the large 1960 crop resulted in a 1 1/2 year supply of olives on hand. The association is interested in automatic harvesting, and membership has been growing.

Pears -- Cameron Girton reported that the California Canning Pear Association, San Francisco, has 55 to 60 percent of the tonnage in the State, and that last year was good price-wise. Growers are getting more production per acre and processors are getting more out of pears. During 1960 the association went into a drying operation, marketing through Sunsweet Growers, San Jose, Calif. The association is working to improve the dried pear market. This year it has bins and cold storage available to strengthen its position during negotiations. The association has a marketing order, but no quantity control. Tree losses due to pear decline are a problem and introduce a new element into bargaining.

Raisins -- The Independent Raisin Growers Association, in the process of formation since October 1960, is being organized to bargain for growers.

Asparagus -- Apparently the Washington Asparagus Growers Association, Sunnyside, is without serious problems, according to Mr. Telford. Their announced price was accepted, they have good processor relations and the associations represents about 55 percent of the growers in the area.

Ward Cooper reported that the Michigan Asparagus Growers Association, Lansing, has not yet achieved the strength it needs to bargain. One of the problems is small acreage -- growers average about 5 acres. Another problem is lack of enthusiasm. The association has instituted a voluntary program for promotion which has operated with some success for 2 years.

Mr. Cooper also reported on a national meeting of asparagus growers from Washington, California, Michigan, and New Jersey. The purpose of the meeting was not to form a national bargaining association, but rather to get a national picture of promotion efforts to avoid duplication, as well as to provide an information exchange.

Cucumbers -- Noel Stuckman reported that the Michigan Pickling Cucumber Growers Association is still a grower-interest organization. However, it is planning to get into bargaining, and has approached the Farm Bureau on this matter. Lower prices, higher labor costs, and poor relations between growers and processors contribute to unrest in this industry.

Peas -- Mr. Telford reported that the Oregon-Washington Pea Growers Association, Athena, Oreg., is in the process of being recognized by processors, having had assistance from the Northwest Washington Farm Crops Association, Mount Vernon. The area represents 70 percent of the frozen peas processed in the United States, and the association represents 60 percent of the acreage. The growers are mostly large, some having over 4,000 acres. Also the acreage is all dry land farming, depending entirely on rainfall for moisture.

Potatoes -- Oral Tish reported on the Idaho Potato Bargaining Association, Paul, a relatively new association which negotiated successfully last year and is recognized by all processors except two grower-owned companies. The association has about 75 percent of the processing potatoes in the

State and has bargained so far only on contract potatoes -- not on spot purchase potatoes. About 1,200 growers are members and expect soon to have 1,500. Growers in Malheur County, Oreg., are about 90 percent signed up and plan to work with the Idaho organization. The association has been promoting better production practices and finds processors are interested in this better quality. As to problems, the industry is so new that no good data are available on costs of processing the large number of products now made from potatoes. Also, potatoes can be stored and so are processed the year round.

Seed corn and lima beans -- Mr. Tish also reported that the Contract Growers Association, Kuna, Idaho, has been organized to bargain for growers. They tried last year -- unsuccessfully -- to negotiate, but will be trying again this year.

Snap beans and broccoli -- Leon Garorian reported that the Oregon Vegetable and Fruit Growers Association, Salem, has been organized in the Willamette Valley but is not yet negotiating. It has a committee formed to submit a bill that would protect bargaining and other associations.

Tomatoes -- Alan Jensen reported on recent activities of the California Tomato Growers Association, Stockton, which bargained in 1958 and 1959 but then at the end of 1959 decided not to bargain further. To develop a proper climate so it can better represent growers, the association is working in several areas with the following results: (1) Canner relations -- believes that relations with canners are better now than ever in the 14 years of the association; (2) public relations -- thinks it was able to inform the public on the other side of the labor problem; (3) labor relations -- developed a sliding scale for payment of labor; (4) grower relations -- while it does not have all its members back in the organization, the association plans to get into bargaining again within a few years. It is also working for legislation that would remove unfair trade practices.

It was also reported that 13 bargaining cooperatives were represented at the annual meeting of the Pacific Coast Cooperative Marketing Association, held December 14 and 15, 1960, in San Francisco. Charles Telford received the "Toga Award." The association will hold its next annual meeting in January 1962 in conjunction with the National Council of Farmer Cooperative's annual sessions in San Francisco.

Kenneth Hood's talk, reported elsewhere in this Proceedings, indicates areas in which the Farm Bureau's American Agricultural Marketing Association is working with bargaining associations.

BARGAINING ACTIVITIES IN OTHER COMMODITIES

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This conference is, of course, concerned primarily with fruit and vegetable bargaining cooperatives, but interest has been expressed in having a brief review of bargaining activities in other agricultural commodities. It is hoped that this discussion will be of benefit to the group by bringing out some of the problems and developments of associations in these other areas.

There are today more than 325 cooperatives of the bargaining type in the United States. Their annual volume of business is estimated at \$1.5 billion. They have around 240,000 memberships. Bargaining cooperatives do approximately 11 percent of the volume.

Besides fruits and vegetables for processing, fluid milk, sugar beets, and eggs are marketed through bargaining associations.

Broiler producers in California have shown an interest in bargaining cooperatives, as have livestock producers in the Midwest. An interest in bargaining associations is also developing among small woodlot producers in an area of Maryland, West Virginia, and Pennsylvania.

I will briefly review the bargaining developments and activities in some of these commodities.

Milk Bargaining Associations

Dairy cooperatives engaged in bargaining account for almost two-thirds of the total number of cooperatives listed in our statistics as bargaining cooperatives. Many of the milk bargaining cooperatives got started between 1916 and 1936. The initiation of State and Federal orders regulating milk prices has since stimulated the formation of other associations and strengthened those in existence. Since 1952, growth has been principally in terms of added services rather than in numbers of members served or volume of milk.

These services have been undertaken to satisfy buyer rather than producer needs.

The Federal order structure has provided a firm foothold in terms of stable markets, establishment of minimum prices, and provision of a uniform buying plan on a marketwide basis.

The major functions performed by dairy bargaining cooperatives are price negotiation with processors and distributors and participation in

Government price hearings. Some also process and distribute milk and milk products.

Most bargaining cooperatives employ personnel to sample members' milk and check the accuracy of butterfat tests made by plant testers. They maintain a check on the accuracy of scales and weights of milk received by plants. Many associations purchase dairy supplies for their members. They often collect the money from distributors and pay members for milk. They provide producers with market information in regard to supply, demand, and other market situations, and work to improve the quality of milk.

Some associations furnish plants with a full supply of milk for their fluid needs, and when necessary bring in milk from other markets. Such associations either haul or supervise the hauling of milk and act to balance and divert milk supplies within the market so that it is utilized in the highest class use. Many cooperatives operate reserve milk plants for either processing the seasonal surplus or for assembling it for movement to alternative markets.

In a few cases, bargaining cooperatives have either established new bottling facilities or expanded small-scale bottling operations. There are now more than 10 bargaining cooperatives that operate milk bottling plants.

The greatest opportunity in milk bargaining we believe, is through further extension of services to buyers, such as transportation, full supply of milk needs including shipments from other areas, manufacturing of milk above current fluid needs, and improvement of milk quality. New cooperatives may be needed in some areas, especially in the southeastern States, or existing cooperatives might be expanded to include producers serving those markets. The real challenge, however, appears to be in improving marketing programs, rather than in organization, or even expansion.

We expect there will be more reorganization of milk marketing cooperatives than development of entirely new ones. The separate milk markets of the past are rapidly disappearing. Some dairy cooperatives engaged in bargaining will need to merge, consolidate, or federate in order to market effectively and reach their full potential in the future.

Sugar Beet Bargaining Associations

The first sugar beet bargaining association was organized about 38 years ago. Today, 47 associations represent beet growers who are producing annually around \$125 million worth of sugar beets. This is the entire crop, except for a relatively small amount grown by sugar beet processors.

While their primary job is to negotiate with processors over prices they employ chemists to check on the accuracy of factory chemists, and have representatives check scales and weights at beet dumps. They analyze

processor-grower contracts, and provide growers with general market information. In addition, some associations purchase fertilizer and other farm supplies for their member-patrons. Since beet sugar is produced under a quota system, bargaining is over a definite volume of product. Growers in general do not get a fixed price for beets, but rather share in the net return for the sugar products sold. For example, Midwest producers usually are paid a basic 50 percent of the processors' net proceeds from sugar, dried pulp, and molasses. This percentage is on a sliding scale depending upon the price of sugar. So actually the cooperative is bargaining for a share of the price of sugar, rather than over the price of sugar beets. This moves the interest of the grower closer to the consumer.

Obtaining tangible benefits for members on a continuing basis is a problem for these cooperatives. A major difficulty in achieving these results is securing factual information to use in the bargaining process.

In spite of their problems, sugar beet bargaining associations have saved growers many millions of dollars. Most processors find it to their advantage to deal with them since this insures an adequate supply of beets of higher quality than would otherwise be possible.

Sugar beet associations have cooperated with processors on quality improvement programs, orderly delivery of beets, and the passage of beneficial Federal and State legislation.

Egg Bargaining Associations

There are about 30 egg bargaining associations in the United States. Of these, 22 are in California, 6 in new Jersey, and 1 each in Pennsylvania and New York, including a federation representing about 6 other locals.

Generally, these associations market only around 2.5 million cases annually. This represents less than 2 percent of the eggs sold in the United States, and about 18 percent of the eggs of all cooperatives.

In addition to bargaining over price, the associations do some policing of quality and are usually responsible for assembling eggs of member producers -- that is, keeping the members in line as to dependability of delivery.

The egg bargaining cooperatives have problems not only because of their small size and duplication of effort but because of lack of coordination. Their combined volumes are substantial only in the two relatively small areas where they operate (around Toms River, N. J., and Los Angeles, Calif.) but all operate more or less independently. In California this difficulty is now recognized and the associations there are seeing the need to have their members participate in a strong operating-type association - preferably

on a statewide basis.

In addition to the associations in the Los Angeles area, many egg producers there have formed feed bargaining cooperatives to negotiate with other feed manufacturers and dealers to obtain poultry feed at lower prices. There are probably six to eight of these in that area. They have been quite effective in their efforts.

Pulpwood Bargaining Cooperatives

A group of approximately 400 woodlot producers in western Maryland, Pennsylvania, and West Virginia have incorporated as a bargaining association. It represents about 50 percent of the growers located within a 50-mile radius of one pulp mill which is the only economic outlet for their pulpwood.

While this organization has had many problems in getting underway, we feel it can best succeed if it limits its membership to woodlot owners. A mixture of owners, cutters, and haulers will weaken bargaining strength since their interests conflict in the matter of stumpage prices and other cutter contract conditions.

Bargaining should also be kept on a regional basis. Local associations could be formed in each mill's territory, but the bargaining power would result from the locals federating or forming a centralized association. More uniform prices between regions would make the transportation of wood from one area to another impractical because of the cost. A bargaining association will be severely handicapped where mill operators have large woodlot holdings. This situation exists in many of the southern regions.

As pulpwood bargaining associations develop, they need to give careful consideration to other services such as concentrating and selling logs, providing forest management services, advising their members on new forestry practices, and possible even providing saw milling and sales services.

National Farmers' Organization

The National Farmers' Organization is a rather large group of Midwest farmers producing livestock, grain, and other farm products. In 1958 it began developing a bargaining procedure for its members. To date the National Farmers' Organization has largely been active in developing membership support but, on several occasions, has attempted to withhold hog supplies from the market to improve price.

Membership in the bargaining phase of the organization requires that the farmer agree to have the organization as his sales agent for every commodity that he produces and for which NFO is in a position to perform an effective role as a bargaining agent. The farmer does not sign for a specific commodity, but rather for the total farm production. The

member also agrees that the contract shall be binding for a 3 year period, and is also renewed for 3 year periods.

The organizational structure is a combination of operating and advisory bodies. NFO, according to plans, will establish national commodity departments. This is largely a staff function to assist in the actual negotiations. This national committee will not itself negotiate terms of sale, but rather will advise area committees in their negotiations. Each organized county within the area will have a committee. The county committee will gather information and suggest prices for the area committee.

The control of the bargaining procedure rests with the farmer. Any contract negotiated with a processor must be ratified by two-thirds of the farmers affected.

While National Farmers' Organization is designed as the sole bargaining agency for the entire production of each farm, to date it has concentrated its activities on hogs. To simplify the organizational pattern, only three commodity groups are recognized - meat, grain, and dairy products.

We do not know what the total membership is at the present time, but the organization has grown during the past few years. For example, at a meeting held in the summer of 1960 it was reported that over 10,000 persons attended. Just recently 3,000 voting delegates, representing 12 Midwestern States, participated in a meeting.

A short time ago, a dairy bargaining association joined as a member. This organization, while approaching the price problem in a somewhat different manner, undoubtedly has had an impact on the thinking of many midwestern farmers.

In closing, while some of the operating methods of these bargaining cooperatives differ from those in fruits and vegetables, we can also see there are a number of similar problems. These include, gaining recognition from buyers, coordination or merging of operations to deal more effectively with large-scale nationwide buyers, more effective pricing methods and negotiating techniques, management training and development, and improved membership understanding and support. The success of these associations in the future will depend upon their recognition of the problems they face, and upon the steps they take to overcome them.

SOME LEGAL COMMENTS REGARDING BARGAINING COOPERATIVES

Lyman S. Hulbert, Attorney at Law 1/
Washington, D. C.

The legal right of farmers to act together in a cooperative bargaining or marketing association for the sale of their commodities is well established. The Capper-Volstead Act has made clear the right of farmers to form such cooperatives. But, we must hasten to add, this Act does not permit cooperatives to do just anything they might want to do. While some people have thought that Capper-Volstead gave them the right to do anything, actually cooperatives must operate according to law just as everyone else must do. Cooperatives must recognize that they are subject, for example, to antitrust laws just like everyone else.

That the right to organize has been well established can be illustrated with the Maryland and Virginia Milk Producers Association. The Association was charged with meeting with milk dealers to fix prices. In dealing with this matter, the court raised no question as to the right to organize -- only a question as to what they did. The manager, however said that there was no negotiation with milk dealers. Instead, he told dealers at meetings what the price would be next month. This association markets the major portion of the milk used in the Washington, D. C. area.

But other cooperatives do have a problem of getting recognition. It appears difficult or even impossible to get legislation to force processors to recognize an association. However, it does seem that legislation to control fair trade practices would help.

One activity that any business can engage in is the exchange of information. Collecting and exchanging information for the purpose of acting in an intelligent manner is all right. But it is illegal to use this information for the purpose of fixing prices. Thus there is a serious question as to whether or not it is legal for two bargaining associations to get together for the purpose of agreeing on prices. There is no question, however, about simply exchanging information.

Another possible problem of bargaining associations deals with attempts to try to fix the price of the processed product, that is, the resale price of the commodity that has been sold by growers to the processor. Bargaining cooperatives cannot fix the resale price. Even where fair trade laws apply, it is doubtful if bargaining cooperatives would be covered since their products are not trademarked.

1/ Mr. Hulbert is engaged in the private practice of law, and as legal consultant for the American Institute of Cooperation appears on this program. The above is a summary of his talk.

Let us consider problems arising from minutes kept or letters written by an association. Always think how it would sound if read from the witness stand.

In considering antitrust suits it should be kept in mind that suits can come from the U. S. Department of Justice, from the Federal Trade Commission, and from third parties. The third party suits are especially serious, since they can involve triple damages, plus court costs and attorneys' fees. It is in this area of third party suits that cooperatives are more likely to have trouble than from Justice or the FTC. You can sometimes get a clearance for a proposed action, such as a merger, from Justice or FTC. On the other hand, if a clearance request gets a negative reply, it would be extremely unwise to proceed with the proposed action. The wisest course is to try to avoid situations that can lead to an antitrust action. Cooperatives should seek legal advice in advance because a physician does not cost as much as a surgeon.

PERENNIAL PROBLEM: DEVELOPING AND MAINTAINING GROWER SUPPORT

Berkley I. Freeman, Secretary-Manager
Great Lakes Cherry Producers Marketing Cooperative
Grand Rapids, Michigan

Never underestimate our Dr. Joe Knapp, the mentor and organizer of these conferences. I was assigned this same topic by him at our first national conference in 1957. At that time he stated the topic without the prefix "Perennial Problem." Many of you were at that conference and may remember I answered the question then in a confident and positive manner.

How well I have come to know the significance of this year's prefix, "Perennial Problem," may be seen when I tell you that in the same year that I delivered that address, with all of the apparent answers at my fingertips, I was forced to resign as manager of the Washington-Oregon Canning Pear Association because I lost support of some of the Board of Directors and the majority of my Board sided with those with whom I disagreed. Fortunately many of the cherry growers for whom I now work were at that meeting and were so impressed with my knowledge of the subject that they came all the way to the West Coast to hire me when they found out I was available.

The point I want to make with this confession is that if nothing else, I know now that the problem of developing and maintaining grower support is perennial, and the word that intrigues me in that title is the word perennial. Webster defines the word as "continuing without cessation or interruption." What does a speaker do who has been given a problem that has no solution? He can help define the problem. But anyone who has been an officer or a member of a voluntary organization be it a church, a cooperative, or a trade association does not have to have the problem defined.

I suggest that we call a spade a spade and restate the subject. "Developing and maintaining grower support in a voluntary cooperative bargaining association is the perennial problem that is the greatest single weakness in the concept of a bargaining association."

The reason that this is so crucial a problem is that in the generic definition of a so-called "bargaining association" is the assumption that by a voluntary means of organization, we are going to weld together many small unorganized units into one that is large enough and powerful enough to bargain as equals with other organizations or corporations that are larger, more powerful, and exist on the basis of proven competitive efficiency in dealing with the smaller units that have entered into the bargaining association.

In the narrow definition of the term, a bargaining association has no capital except the uniform contracts with its members - any of whom can resign at a designated time - and owns only the necessary means of communication between its members and its customers. Its sole function is to negotiate a price for all of its members with all of its customers that represents an improvement over prices that could be negotiated by its members individually.

We see now why under these definitions that grower support is both difficult to develop and hard to maintain and consequently the greatest source of weakness to the bargaining association. An organization so conceived can be motivated only after individual growers have suffered severe enough reverses as individuals lacking in bargaining power to resort to joint action. In a sense, it comes into being as an expedient to meet an emergency. It is dependent on short range objectives from its very inception. To this extent, its actions and membership can be controlled by the forces which brought it into being if they vary the degree of pressure they have in their power. For example, a large processor of fruits can often stop the formation of a bargaining association after several years of low prices by easing off on its demands temporarily.

On the other hand, the individual member of a bargaining association must bear the additional costs of an organization and constantly weight them against the results achieved. He knows that in the long run operating in a free price economy, no cooperative effort of pricing or bargaining is going to enhance his price beyond the economic limits of the supply and demand for his commodity. He also knows that in the long run, customers for his commodity are willing to pay this price since they also must operate within the limits of supply and demand.

Therefore, since non-members are selling their produce to the same customer for the same prices negotiated by the bargaining association, why should the member continue to pay the 1 or 2 percent of his gross income necessary to maintain the bargaining association, especially under conditions when competition in agriculture has lowered returns on capital investment to an average of just 3 percent (source: Ovid Bay - Farm Journal editor in "What's Ahead in Farming" - Fall 60-61). In terms of economic survival, therefore, the temptation is great to be a free rider on a program that must be big enough to affect the entire price structure to succeed.

Conversely, in terms of short range gains, there is great incentive for the individual member to shut his eyes to the fact that tomorrow always follows today and to squeeze a temporary advantage to the limit. In like manner, his processor customer is tempted to influence the grower so that he remains loyal to the processor rather than becoming involved in the complicated pricing problem of the industry. "I'll always pay you as good or better price than the association gets. Why pay money to an association and lose your individual liberty?" So the voice of the devil goes.

On top of these economic pressures to keep bargaining cooperatives weak in terms of grower support are all of the human ones. Greed jealousy, injured pride, and fear of reprisal are all constantly operating to make a cooperative effort difficult to maintain under the banner of one for all - all for one. It is easy to say that you will gain greater profits by participating in a higher average price than in getting a higher price than your neighbor over a low average, but how can it be proven every year that the association effort resulted in a higher average? In truth, the only avenue to success for a bargaining cooperative is its ability to sustain long range gains over a period of years. Yet this avenue is constantly blocked by short range considerations.

These inherent weaknesses in themselves and by themselves would not make the problem of membership so crucial; however, when these inherent weaknesses of a narrowly conceived voluntary cooperative bargaining association are used by non-grower interests to frustrate their efforts, then they become intolerable. A symphony orchestra of 100 pieces can never reach its full potential when 40 percent of the players remain silent. However, if the 40 percent that remained silent start playing a different piece of music, then the result is chaotic.

Therefore, when segments of the food industry who have vested interests in keeping agricultural prices confused and in jeopardy use the weak segment of growers who refuse to cooperate voluntarily as a means of weakening the efforts of the majority, then either the cost to the growers is great or the effort in question fails. This becomes especially insidious when vertical integration in farming, processing, brokerage, and retailing make it difficult to see where the economic interest of the parties bargaining really lie.

The picture I have just painted is a negative one. In a sense, it proves that a narrowly-conceived, limited effort to establish and maintain a bargaining association merely to enhance price is doomed to failure because of the perennial problem of developing and maintaining grower support. This is not to say that even a weak effort on the part of growers to maintain a system of price leadership is not of real economic value.

Having manacled my hands, placed myself in the locked cabinet, and been lowered into the sea, I would like to try and make my escape. I would like to explore with you what the possibilities are of establishing a fully integrated cooperative marketing system - a system that because of its economic foundations and its organizational ingenuity does not have a perennial problem of developing and maintaining grower support - a system that can meet the requirements of market power so that agricultural producers can meet other segments of the food industry on equal terms in the market place and achieve, on a commodity basis, equal consumer and governmental franchises that non-food industries enjoy.

Stock in a corporation goes up or down depending on the profit made by the investor or the potential for gain based on the net worth of the company. According to the classic conception of cooperatives, they are created to perform a service and are not profit making enterprises. The only real yardstick we have of their economic value is the number of people who use the service they render in competition with others offering similar services.

In contrast to this "classic conception," the theme of this year's National Council of Farmer Cooperatives - and indeed the theme of much that is said in farm circles everywhere - is "Clearing Hurdles for Increasing Farmers Market Power." To place the burden of developing market power on cooperatives is indeed a departure from the idea of performing a simple service at no profit to any individual in competition with others performing a similar service. It is a long step from growers cooperating to own a truck, or pool a shipment of livestock, or pack a commodity to developing a complete market system to increase their net earning power. To influence price, to establish grades, to develop markets, and initiate research resemble very closely profit responsibility for an industry rather than performing one of many services for an industry or a commodity.

The question I would like to raise with you today is, in the face of new demands for greater economic responsibility, can cooperatives meet this challenge without changing some of the very basic classical conceptions of what is the function of a cooperative? Our problem of maintaining and developing grower support is not only everlasting, it is ever changing as our conception of what is a cooperative changes. If we are all talking about new functions for cooperatives -- new size, new economic power -- we had better start exploring new objectives, and new ways of developing and maintaining grower support and new methods of organization.

First let us look at NEW OBJECTIVES. The key to our present dilemma in fruit and vegetable growing, and farming in general, is lack of adequate profits. Profits are the result of price times volume less costs. No corporation and no cooperative can be effective in increasing or maintaining adequate profits unless it can influence all of the factors that determine profits. Each of these factors is interrelated and bears directly on one another and the profit achieved. A corporation mobilizes capital and management to achieve the proper balance in all three, to maximize profits over the longest period of time. Even the consideration of what is a reasonable profit is a question of balance and becomes a source of moral judgment for social progress.

Individual farmers directly influence all of these vital factors but, like individuals before they became members of a corporation, they can not influence any of these factors to the extent that an overall organization can when considering the entire problem in relation to the total market structure.

Every farm commodity has the same essential problems that beset an industrial commodity. The essential difference is that a farm commodity is organic in nature and requires greater personal management and knowledge to maintain its growth cycle whereas a non-organic commodity has no growth cycle and is more usable by nature. Since management becomes the key to maintaining a production cycle in the production of organic material, cooperatives are keyed to the mobilization of management rather than the economic control of desirable goods. Hence, a cooperative like a corporation becomes a form of organization to make collective management decisions that can not be made individually pertaining to the profit potential of a given commodity.

To maintain our present free market pricing system, the owners of the sources of production must make these decisions as effectively as does industry to maintain its power in the market place. This means every commodity must have a pricing policy based on maximum profits over the long-run, must have a research program to help reduce costs and increase efficiency, must have a promotion and advertising program to educate the public and the buyer concerning the results of that research and pricing policy. It must have a keen awareness of price and cost relationship to volume so that production facilities are not used for unwanted commodities. It must have a system of grades that are in line with market demand and reflect the wishes of the buyer and consumer as well as the producer.

Much has been said about the inability of agriculture to regulate production. Industry has the same problem since more mechanization has meant larger capital investment per unit produced and this investment can not be left to sit idle if production is not maintained in line with demand. In summary, our cooperative effort must be towards achieving profit responsibility to our members - this means effective action in pricing, research, promotion, accounting, communication, and finance. It is useless to argue about which is most important when all affect one another.

New methods of organization can only come after new objectives have been agreed upon. If every cooperative endeavor is judged by its effectiveness in influencing profits, then every effort must be made to organize as equals to the effective corporate and industrial organizations of today; that means a minimum regional, and more often, national or international organization. Except in the field of personal services, every effective local business has some national or international connection. Use of planes, closed circuit television, teletype, and telephone must be explored to the limit to facilitate communications of these new larger organizations. Use of fieldmen, local officers, and national and regional officers must be developed.

New methods of maintaining and developing grower support, of course, were the essence of my report. I have saved it for last because I believe if we have new objectives and new methods of organization, the

solution to this problem will follow. If the majority of agricultural leaders will agree on the first two, and we work together to achieve them, I believe the use of Government franchise can solve this problem.

We are anxious to maintain our free price system, our private ownership and management of production facilities, and our democratic form of Government. All of these things can be safeguarded in Government marketing orders for agricultural commodities. When given a chance on a State basis or a Federal basis, growers who have accepted marketing orders have prospered under them. Milk, citrus, and cling peaches are examples of our best economically stable industries. All of them use marketing orders. If we can eliminate the threat of the free rider and the economic penetration by vertical integration from sabotaging our over-all commodity system of profit responsibility, growers will vote them in on any popular plurality required of them.

The question of whether we have the political power as growers to enact State and Federal legislation to make these self-help marketing orders possible remains to be seen. However, I am sure that political leaders, given a plan agreed upon internally by respected farm leaders, representing a majority of farmers, would give it very serious consideration. This is especially true if that plan encompasses only the expenditure of funds collected from participating farmers; if the democratic principle of secret voting and 66 2/3 percent majority rule are adhered to at frequent intervals to keep the program in operation; if the program is managed by locally-elected directors who must run for re-election yearly; and if all regulations and plans adopted reflect responsibility on the part of growers and do not impose restrictions or hardships on processors or other segments of the food industry.

In summary, I would say that the history of farming in a free economy has been an ever changing picture. Under world and domestic pressures generated by acceleration in research, technology, and communications, we must go forward at a speed which anticipates change rather than reacts belatedly under the conditions of economic disadvantage created by our reluctance and inability to keep pace. Cooperative organization has been the most widely adopted form of organization for agriculture and is the vehicle we must use with greater reliance to motivate this change. The bargaining cooperative is the first emergence of the types of cooperatives needed to meet the challenges of our day and even they must be constantly reviewing their objectives and effectiveness if they are to fulfil their responsibility to their members.

LETTER OF TRANSMITTAL AND RESOLUTIONS

February 18, 1961

Hon. Orville Freeman
Secretary of Agriculture
Washington, D. C.

My dear Mr. Secretary:

Below is a copy of a Resolution adopted January 8, 1961 at New Orleans, Louisiana, at the Annual Meeting of Cooperative Bargaining Associations:

WHEREAS bargaining cooperatives are increasingly important in developing farmers' economic strength and

WHEREAS Farmer Cooperative Service has sponsored annual meetings of fruit and vegetable bargaining cooperatives, continued research and fact finding exchanged information and advisory services with these cooperatives.

NOW, THEREFORE, BE IT RESOLVED That we, the Fruit and Vegetable Bargaining Cooperatives, commend Farmer Cooperative Service, its staff, and Director Joe Knapp for their service to Agriculture. We further recommend that Farmer Cooperative Service be expanded and strengthened to meet the needs of Agricultural Bargaining Cooperatives.

Signed Robert Collins, President
California Canning Pear Association

Signed John Handy, President
Great Lakes Cherry Producers
Marketing Cooperative, Inc.

As Joint Secretaries for
The National Conference of Bargaining
Cooperatives.

LIST OF FRUIT AND VEGETABLE BARGAINING COOPERATIVES 1/

Fruit Bargaining Cooperatives

1. California Canning Peach Association
Ralph B. Bunje, Manager
World Trade Center, Ferry Bldg.
San Francisco 11, Calif.
2. California Canning Pear Association
Cameron Girton, Manager
64 Pine Street
San Francisco 11, Calif.
3. California Freestone Peach Association
Charles J. Telford, Manager
422 Fifteenth Street
Modesto, Calif.
4. California Processing Apple Growers Association
Neil K. Holbrook, Manager
25 California Street
San Francisco 11, Calif.
5. Corning Olive Growers Marketing Association
William G. Shultes, President
P. O. Box 75
Corning, Calif.
6. Eastern Fruit Marketers Cooperative
J. Kenneth Robinson, President
Box 668
Winchester, Va.
7. Florida Orange Marketers
E. H. Squire, Manager
P. O. Box 745
Winter Park, Fla.
8. Great Lakes Cherry Producers Marketing Cooperative
Berkley I. Freeman, Manager
801 Cherry Street, S. E.
Grand Rapids 6, Mich.

1/ This list, based on reports from various sources as of March 1961, includes associations having as one of their objectives the negotiation of contract terms with processors. Some of the associations, however, are currently inactive and some, because of their recent organization, are not yet actively operating.

9. Idaho Processing Apple Growers
Stanley Robinson
Caldwell, Idaho
10. Independent Olive Growers of California
Ed Olson, Jr., Secretary-Manager
1121 N. Main
Porterville, Calif.
11. Independent Red Raspberry Growers of Washington
Hedwig Bisig, President
Rt. 12, Box 268
Tacoma, Wash.
12. Kadota Growers, Inc.
V. E. Scott, Manager
P. O. Box 26
Planada, Calif.
13. Maryland Fruit Marketers Cooperative
R. Sam Dillon, Jr.
Hancock, Md.
14. Michigan Processing Apple Marketing Association
John J. Timpson, President
201 1/2 East Grand River Ave.
East Lansing, Mich.
15. New York State Grape Growers Cooperative
Howard C. Green, President
Farm and Home Center
Penn Yan, N. Y.
16. Northwest Berry Association
M. F. Edwards, Manager
1137 S. E. Union
Portland, Oreg.
17. Pacific Northwest Cherry Growers Association
Ralph Kirby, President
11 South Seventh Street
Yakima, Wash.
18. Pacific States Canning Pear Marketing Association
Vernon Stockwell, President
Wenatchee, Wash.
19. Pennsylvania Fruit Marketing Cooperative
William A. Lott, President
Gardners, Pa.

20. Puyallup Valley Berry Growers Association
Charles W. Clark, Secretary-Manager
602 Todd Road
North Puyallup, Wash.
21. Tri-County Grape Growers Association
Walter L. Green, III
Route 1
North Madison, Ohio
22. Virginia Fruit Marketers Cooperative
J. Kenneth Robinson, President
P. O. Box 668
Winchester, Va.
23. Washington Freestone Peach Association
Harlan Gannon, Manager
P. O. Box 2056
Yakima, Wash.
24. Washington-Oregon Canning Pear Association
Clay Whybark, Manager
202 Holtzinger Building
Yakima, Wash.
25. Western New York Apple Growers Association
Fred P. Corey, Executive Secretary
272 Alexander Street
Rochester, N. Y.
26. West Virginia Fruit Marketers Cooperative
Douglas Miller, President
Martinsburg, W. Va.

Vegetable Bargaining Cooperatives

1. California Cucumber Growers Association
S. E. Williams, Secretary
P. O. Box 666
Fremont, Calif.
2. California Tomato Growers Association
Alan C. Jensen, Manager
145 South American Street
Stockton, Calif.
3. Cannery Growers, Inc.
A. W. Matthews, Secretary-Manager
Box 46,
Maumee, Ohio

4. Cash Crops Cooperative
Ronald Casey, President
232 Forest Avenue
Fond du Lac, Wis.
5. Contract Growers Association
Mr. Cole, President
Route #1
Kuna, Idaho
6. Growers Processing Association - Santa Maria Valley
Al McKenzie, Manager
P. O. Box 901
Santa Maria, Calif.
7. Idaho Potato Bargaining Association
Oral Tish, Manager
Paul, Idaho
8. Iowa-Illinois Cannery Growers' Cooperative
Herbert Ovesen, President
Wilton Junction, Iowa
9. Keystone Vegetable Growers Association
Newton M. Comly
75 North Main St.,
Doylestown, Pa.
10. Magic Valley Canning Crop Growers Association
Bob Drailsford, President
Hagerman, Idaho
11. Malheur Potato Bargaining Association
Wesley Roberts
Ontario, Oreg.
12. Mesa County Tomato Growers
Herman Beard, President
Fruita, Colo.
13. Michigan Asparagus Growers Cooperative Association
J. Ward Cooper, Secretary
4000 North Grand River, Box 960
Lansing 4, Mich.
14. New Jersey Vegetable Growers Cooperative Association
David Fogg, President
168 West State Street
Trenton, N. J.

15. New York Canning Crop Growers Cooperative
William Stempfle, Manager
Box 290
Batavia, N. Y.
16. Northwest Washington Farm Crops Association
Ray Schink, Executive Secretary
621 West Division
Mount Vernon, Wash.
17. Oregon Vegetable And Fruit Growers Association
Walter Collett, Manager
Route 2, Box 137
Salem, Oreg.
18. Oregon-Washington Pea Growers Association
Don Webber, President
Athena, Oreg.
19. Shiocton Bargaining Cooperative
Marvin Knoke, President
Shiocton, Wis.
20. Utah State Canning Crops Association
A. W. Chambers, Secretary-Manager
173 South Main Street
Logan, Utah
21. Vegetable Committee of the Delaware Farm Bureau
C. Fred Fifer, Chairman
Wyoming, Del.
22. Ventura Fordhook Lima Bean Bargaining Association
John Dullam, Secretary
841 F Street
Oxnard, Calif.
23. Walla Walla Vegetable Growers
Orlo S. Carver, Manager
1006 South Main St.,
Milton-Freewater, Oreg.
24. Washington Asparagus Growers Association
Gene R. Coe, Manager
318 S. Seventh Street
Sunnyside, Wash.

SELECTED BIBLIOGRAPHY ON FRUIT AND VEGETABLE
BARGAINING COOPERATIVES,
AND RELATED TOPICS

(Note: Copies of publications issued by Farmer Cooperative Service can be obtained by writing to the Information Division, Farmer Cooperative Service, U. S. Department of Agriculture, Washington 25, D. C. Dissertations and theses can generally be borrowed from the university concerned through the Inter-Library Loan Service available through most public libraries. Other publications can be obtained from the issuing organization, or borrowed from public and university libraries.)

1. Beal, George Max
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